

# STATE OF COLORADO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

### FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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# **Introductory Section**

**Comprehensive Annual  
Financial Report**

**For the Fiscal Year Ended  
June 30, 2011**



# State of Colorado



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*State Controller*

December 16, 2011

To the Citizens, Governor, and Legislators of the State of Colorado:

It is our privilege to present the Comprehensive Annual Financial Report (CAFR) on the operations of the State of Colorado for the fiscal year ended June 30, 2011. This report is prepared by the Office of the State Controller and is submitted as required by Section 24-30-204 of the Colorado Revised Statutes. Except for certain institutions of higher education, the State Controller is responsible for managing the finances and financial affairs of the State and is committed to sound financial management and governmental accountability.

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

Except as noted below, the basic financial statements contained in the CAFR are prepared in conformity with generally accepted accounting principles (GAAP) applicable to governments as prescribed by the Governmental Accounting Standards Board (GASB), and except for the discretely presented component units, they are audited by the State Auditor of Colorado. The basic financial statements comprise the Management Discussion and Analysis (MD&A), financial statements, notes to the financial statements, and Required Supplementary Information. The MD&A, which begins on page 19, contains additional financial analysis and supplementary information that is required by GASB and should be read in conjunction with this transmittal letter. The schedules comparing budgeted to actual activity, included in the section titled Required Supplementary Information, are not presented in accordance with GAAP; rather, they reflect the budgetary basis of accounting which defers certain payroll, Medicaid, and other statutorily defined expenditures to the following fiscal year. (See additional information on "Cash Basis Accounting" on page 39 of the Management's Discussion and Analysis.) In addition to the basic financial statements, the CAFR includes: combining financial statements that present information by fund category, certain narrative information that describes the individual fund categories, supporting schedules, and statistical tables that present financial, economic, and demographic data about the State.

The funds and entities included in the CAFR are those for which the State is financially accountable based on criteria for defining the financial reporting entity as prescribed by GASB. The primary government is the legal entity that comprises the major and nonmajor funds of the State, its departments, agencies, and State institutions of higher education. It also includes certain university activities that are legally separate but have been blended with the accounts of the institution that is financially accountable for the activity.

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

University of Colorado Hospital Authority  
Colorado Water Resources and Power Development Authority  
University of Colorado Foundation  
Colorado State University Foundation  
Colorado School of Mines Foundation  
University of Northern Colorado Foundation  
Other Component Units (nonmajor):  
    Denver Metropolitan Major League Baseball Stadium District  
    CoverColorado  
    Venture Capital Authority  
    Renewable Energy Authority  
    Higher Education Competitive Research Authority  
    Statewide Internet Portal Authority  
    HLC @ Metro, Inc.  
    University of Colorado Real Estate Foundation

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

## **PROFILE OF THE STATE OF COLORADO**

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

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

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

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

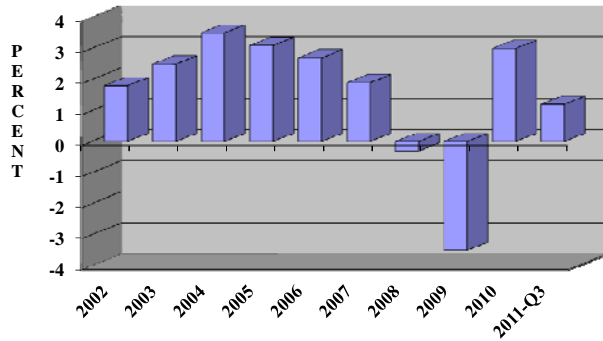
## **ECONOMIC CONDITION AND OUTLOOK**

The State's General Fund revenues reflect the overall condition of the State economy, which showed improved growth in Fiscal Year 2010-11; General Fund revenues increased by \$632.0 million (9.8 percent) from the prior year. Although



improving, General Fund revenue is \$417.0 million (5.6 percent) below the pre-recession level in Fiscal Year 2007-08. In absolute dollars, the Office of State Planning and Budgeting (OSPB) reports personal income in the State increased by approximately 2.5 percent for 2010 and is forecast to increase by 5.0 percent for 2011. State nonagricultural employment levels continued to decline with 25,500 jobs lost in 2010; however, 17,700 jobs are forecasted to be added in 2011.

**PERCENT CHANGE IN REAL GROSS DOMESTIC PRODUCT**



The Bureau of Economic Analysis reports that inflation adjusted national gross domestic product (GDP) grew at an annualized rate of 3.0 percent in the third quarter of calendar year 2010 and 1.2 percent in the third quarter of 2011. Inflation adjusted GDP increased 1.5 percent from the third quarter of 2010 to the third quarter of 2011 (all percentage changes in the balance of this paragraph are measured on the third quarter to third quarter basis). National personal consumption expenditures account for over two-thirds of GDP and increased 2.2 percent. Personal consumption was lead by a 7.0 percent increase in durable goods (including recreational goods and vehicles increasing at 11.6 percent) and was offset by anemic growth in household services consumption and a decline in nonprofit spending. Notwithstanding a 7.5 percent increase in fixed investment (including significant

increases in transportation – 20 percent, industrial equipment – 12.5 percent and other equipment and software – 5.1 percent), private domestic investment was up only 0.4 percent in aggregate as nonfarm inventories grew only slightly and farm inventories declined. Also holding back private domestic investment, residential investment grew slightly by 1.4 percent from a significantly lowered base, and other information processing equipment and software declined by 2.5 percent. Government spending declined quarter-over-quarter by 2.4 percent related to decreases in federal, state and local government spending. Quarter-over-quarter exports increased by 5.9 percent and imports grew by 1.9 percent; net imports continued to be a reduction of GDP but by a lesser amount than in the third quarter of 2010.

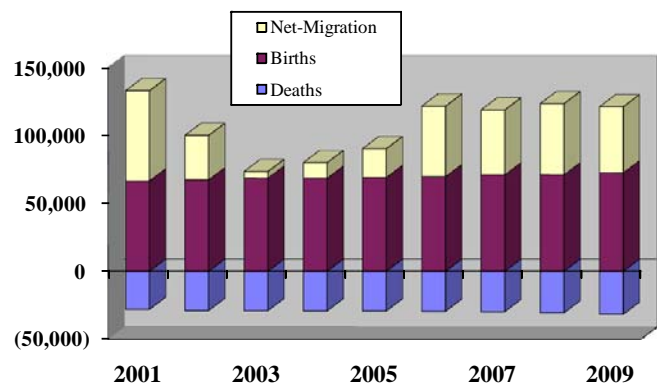
The national economy is continuing through a prolonged, anemic recovery resulting from the credit and housing boom and bust of the past two decades. The September 2011 Economic and Revenue Forecast of the Colorado Legislative Council observed that:

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

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

Historically, Colorado economic activity and in-migration have been interdependent. However unlike the recession in 2001-2002, the recession in 2008-2009 has not resulted in a decreasing in-migration, which has averaged approximate 50,200 from 2006 to 2009. It remains slightly off its nine-year peak amount of about 66,400 which occurred in 2001, but is significantly in excess of its low of about 4,900 in 2003. International in-migration decreased from approximately 13,248 to 13,078 for 2008 and 2009, respectively, while in-migration from other states decreased more significantly from about 38,500 to about 35,600 for 2008 and 2009, respectively. The information in the

**COMPONENTS OF COLORADO'S POPULATION CHANGE**



adjacent chart is based on current Census Bureau estimates. Data for the year 2010 is not included in the chart because an adjustment was made to total state population for that year and matching estimates for deaths and births are not available. The Colorado State Demographer forecasts net population growth of 82,671 for 2011 and 84,399 for 2012, and OSPB forecasts net migration of 40,800 and 40,000, for those years respectively, which indicates persistent in-migration in spite of high unemployment and the State's economic challenges.

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

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

## **MAJOR GOVERNMENT FISCAL INITIATIVES**

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

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

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

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

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

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

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

## **BUDGETARY AND OTHER CONTROL SYSTEMS**

The General Assembly appropriates the annual State budget for ongoing programs, except for federal and custodial funds. New programs are funded for the first time in enabling legislation and are continued through the Long Appropriations Act in future periods. For the most part, appropriations lapse at the end of the fiscal year unless the State Controller approves an appropriation rollforward based on extenuating circumstances. Capital construction appropriations are normally effective for three years and do not require State Controller rollforward approval.

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

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

## INDEPENDENT AUDIT

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

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

## CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Colorado for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This was the thirteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

## ACKNOWLEDGMENTS

In conclusion, I thank my staff and the controllers, accountants, auditors, and program managers in the State departments and branches whose time and dedication have made this report possible. I reaffirm our commitment to maintaining the highest standards of accountability in financial reporting.

Sincerely,



David J. McDermott, CPA  
Colorado State Controller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## State of Colorado

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

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



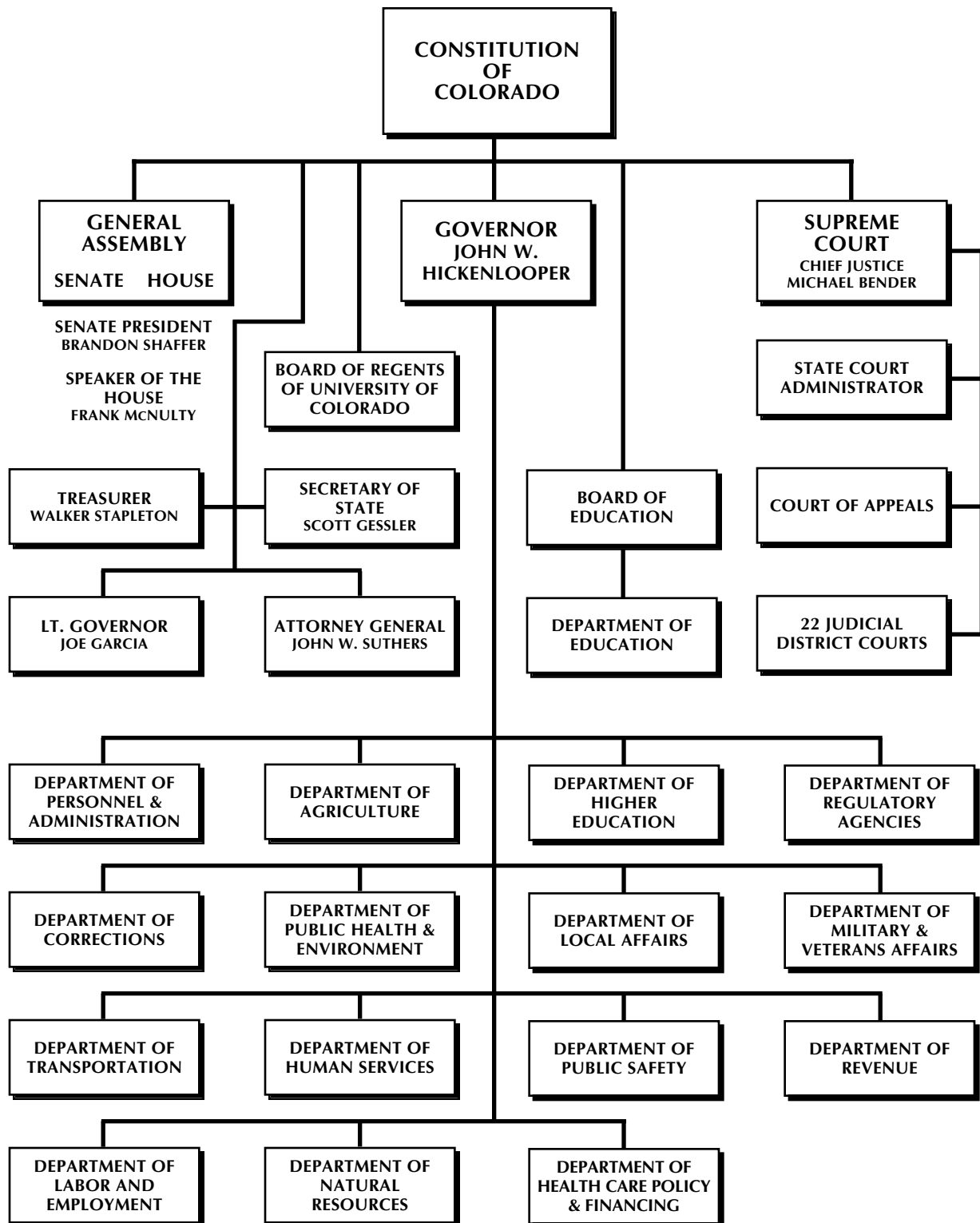
A stylized, handwritten signature in black ink.

President

A stylized, handwritten signature in black ink.

Executive Director

# PRINCIPAL ORGANIZATIONS AND KEY OFFICIALS





# Financial Section

**Comprehensive Annual  
Financial Report**

**For the Fiscal Year Ended  
June 30, 2011**



December 16, 2011

## Independent Auditor's Report

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Colorado (the State) as of and for the fiscal year ended June 30, 2011, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units identified in Note 2, which represent 100 percent of the total assets, 100 percent of the net assets, and 100 percent of the total revenues of the discretely presented component units. In addition, we did not audit the financial statements of University Physicians, Inc., a blended component unit which represents approximately 3 percent of the assets, 4 percent of the net assets, and 8 percent of the total revenues of Higher Education Institutions, a major enterprise fund, and approximately 3 percent of the total assets, 4 percent of the net assets, and 5 percent of the total revenues of business-type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts and disclosures included for those discretely presented component units and for University Physicians, Inc., is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the University of Colorado Foundation, Colorado State University Foundation, Colorado School of Mines Foundation, and University of Northern Colorado Foundation, discretely presented major component units; and University Physicians, Inc., a blended component unit, were audited in accordance with auditing standards generally accepted in the United States, but were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.



We Set the Standard for Good Government



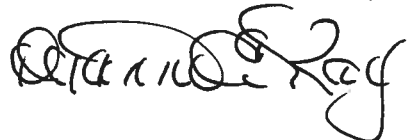
In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Colorado, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 6J to the financial statements, the State of Colorado adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in Fiscal Year 2011.

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

The management's discussion and analysis and required supplementary information listed in the table of contents, beginning on page 1, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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





**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### FINANCIAL HIGHLIGHTS

#### **Government-wide:**

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

#### **Fund Level:**

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

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

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

### **Debt Issued and Outstanding:**

The outstanding governmental activities' notes, bonds, and Certificates of Participation at June 30, 2011, were \$1,766.9 million (prior year \$2,197.4 million), which is 29.3 percent (prior year 33.8 percent) of financial assets (cash, receivables, and investments) and 9.8 percent (prior year 11.9 percent) of total assets of governmental activities. The governmental activities debt declined due to the retirement of short-term notes during the year as discussed in the Government-Wide section above; the largest single portion is related to infrastructure, and future federal revenues and State highway revenues are pledged to the related debt service. The State's Enterprise Funds have revenue bonds outstanding that total \$3,196.2 million (prior year \$2,783.3 million). The \$412.9 million increase in revenue bonds from the prior year is primarily related to the issuance of \$300.0 million in bonds by the Bridge Enterprise in the Department of Transportation. The majority of the remaining outstanding revenue bonds are related to institutions of higher education and are invested in capital assets that generate a future revenue stream to service the related debt.

### **Revenue and Spending Limits:**

The State Constitution indirectly limits the rate of spending increases and directly limits the State's ability to retain revenues collected over an amount set by a constitutional amendment commonly known as TABOR. Revenues in excess of the limit must be refunded to the taxpayers unless otherwise approved by the voters. In the November 2005 election, voters passed Referendum C, which allowed the State to retain revenues in excess of the TABOR limit for Fiscal Years 2005-06 through 2009-10. Partially due to the economic downturn, the State did not have revenues in excess of the Referendum C Excess State Revenue Cap for Fiscal Year 2010-11, and although it did exceed the TABOR limit by \$770.2 million, no refund was required because Referendum C removed the ratchet down provision of TABOR. The \$0.7 million shown on the financial statements is the residual amount of a Fiscal Year 2004-05 TABOR refund that was not distributed as of June 30, 2011. (See page 27 for more information on the TABOR requirements and Referendum C.)

## **OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION**

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

## Government-wide Statements

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

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

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

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

- ♦ Governmental activities are the normal operations of the primary government that are not presented as business-type activities. Governmental activities include Internal Service Funds and are primarily funded through taxes, intergovernmental revenues, and other nonexchange revenues.
- ♦ Business-type activities are primarily funded by charges to external parties for goods and services. These activities are generally reported in Enterprise Funds in the fund-level statements because the activity has revenue-backed debt or because legal requirements or management decisions mandate full cost recovery.
- ♦ Discretely presented component units are legally separate entities for which the State is financially accountable. More information on the discretely presented component units can be found in Note 2 on page 71.

## Fund-Level Statements

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

- ♦ Governmental Funds – A large number of the State's individual funds and activities fall in this fund type; however, only some are reported as major – the remaining funds are aggregated into the nonmajor column with additional fund detail presented in the Supplementary section of this report. Governmental Funds are presented using the current financial resources perspective, which is essentially a short-term view that excludes capital assets, debt, and other long-term liabilities. The modified accrual basis of accounting is used. Under modified accrual, certain revenues are deferred because they will not be collected within the next year, and certain expenditures are not recognized, even though they apply to the current period, because they will not be paid until later fiscal periods. This presentation focuses on when cash will be received or disbursed,

and it is best suited to showing amounts available for appropriation. The governmental fund type includes the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Permanent Funds.

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

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

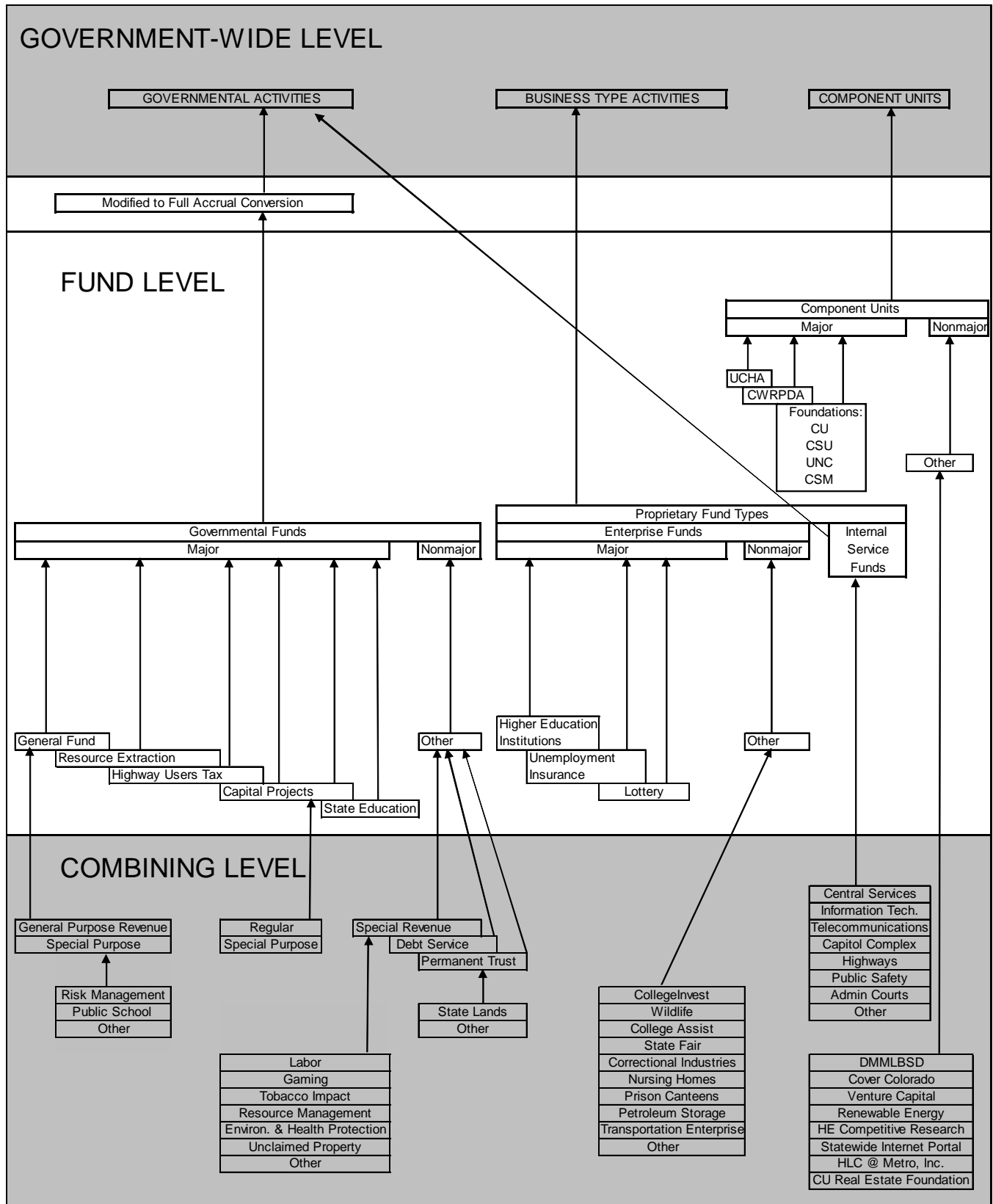
**Notes to Basic Financial Statements**

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

**Required Supplementary Information (RSI)**

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

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



General Purpose Revenue  
Special Purpose

- Risk Management
- Public School
- Other

Regular  
Special Purpose

- Labor
- Gaming
- Tobacco Impact
- Resource Management
- Environ. & Health Protection
- Unclaimed Property
- Other

Special Revenue  
Debt Service  
Permanent Trust

- State Lands
- Other

- Collegelvest
- Wildlife
- College Assist
- State Fair
- Correctional Industries
- Nursing Homes
- Prison Canteens
- Petroleum Storage
- Transportation Enterprise
- Other

- Central Services
- Information Tech.
- Telecommunications
- Capitol Complex
- Highways
- Public Safety
- Admin Courts
- Other

- DMMLBSD
- Cover Colorado
- Venture Capital
- Renewable Energy
- HE Competitive Research
- Statewide Internet Portal
- HLC @ Metro, Inc.
- CU Real Estate Foundation



**OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS**

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

(Amounts in Thousands)

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

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

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

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

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

Another important measure of the State's financial health is the change in net assets from the prior year. The following condensed statement of activities shows, without regard to prior period adjustments and accounting changes, that the governmental activities, expenses and transfers-out exceeded revenues and transfers-in resulting in net assets decreasing by \$77.1 million. On the governmental fund-level statements, where capital outlay is reported as an expenditure and depreciation is not reported, governmental fund balances increased by \$165.7 million. Program revenue of the governmental activities increased by \$618.9 million (7.8 percent) related to increased grants and charges for services, and general-purpose revenues increased by \$867.9 million (11.2 percent) primarily due to increased tax collections. Expenses increased by \$570.3 million (3.5 percent) from the prior year primarily due to continued spending under the American Recovery and Reinvestment Act (ARRA),

(Amounts in Thousands)

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

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

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

## **TABOR Revenue, Debt, and Tax-Increase Limits**

### **Background and Current Condition**

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

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

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

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

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

In the first three years of operations under TABOR, the State did not exceed the revenue limitation. In Fiscal Years 1996-97 through 2000-01, State revenues exceeded the TABOR limitation by \$139.0 million, \$563.2 million, \$679.6 million, \$941.1 million, and \$927.2 million, respectively. The economic downturn in Fiscal Years 2001-02 and 2002-03 and adjustments for inaccurate population estimates applied in Fiscal Year 2003-04 precluded TABOR refunds in those years. The State was required to refund \$41.1 million in Fiscal Year 2004-05. At the end of Fiscal Year 2010-11, this amounted to total required refunds of \$3,291.2 million since TABOR's inception. At June 30 of each fiscal year, the State recorded a liability on the General Fund Balance Sheet for these amounts, and the amounts were refunded in subsequent years except for the \$0.7 million amount currently shown in the financial statements.

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

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

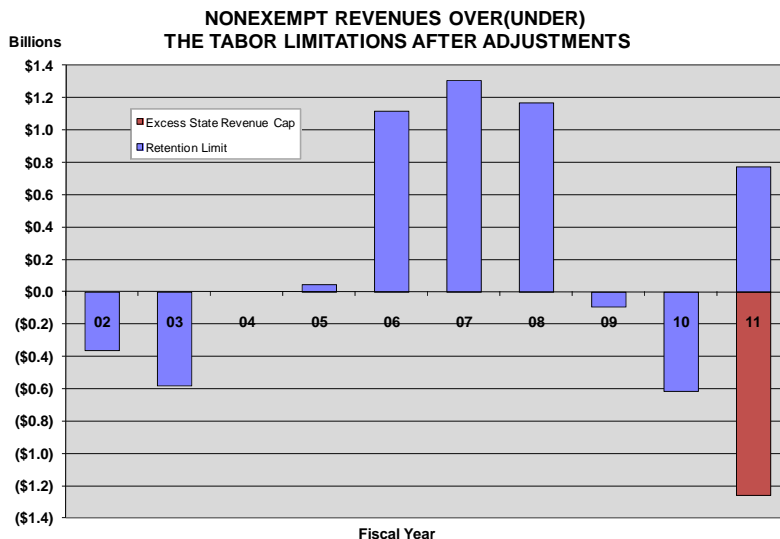
Legislation was enacted in the 2011 legislative session to merge the Division of Parks (a nonexempt-TABOR activity) and the Division of Wildlife (a TABOR enterprise); the new Division is in its entirety authorized as a TABOR enterprise starting in Fiscal Year 2011-12.

## Referendum C

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

- ♦ The State shall be authorized to retain and spend all revenues in excess of the limit on fiscal year spending after July 1, 2005, and before July 1, 2010 (five fiscal years). The authorization constitutes a voter approved revenue change.
- ♦ After July 1, 2010, the limit on fiscal year spending is effectively raised to the highest population and inflation adjusted nonexempt revenue amount in the period from July 1, 2005, and before July 1, 2010. This provision disables the ratchet down provision during the five-year period.
- ♦ A General Fund Exempt Account is created within the General Fund to consist of the retained revenues for each fiscal year. The Legislature shall appropriate the moneys in the account for health care, education (including related capital projects), firefighter and police pension funding, and strategic transportation projects. Spending from the General Fund Exempt Account is subject to the six percent limit on General Fund expenditure growth.
- ♦ The Director of Research of the Legislative Council shall report the amount of revenues retained with a description of how the retained revenues were expended.
- ♦ The State retained \$3,593.6 million during the five-year refund time-out authorized by Referendum C.

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

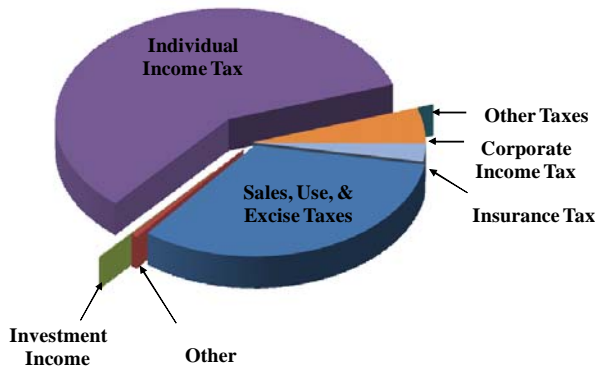


**INDIVIDUAL FUND ANALYSIS**

**General Fund**

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

**GENERAL-PURPOSE REVENUES BY SOURCE**



The ending total fund balance of the General Fund, as measured by generally accepted accounting principles (GAAP), was \$602.8 million, \$32.4 million of which was attributable to the General Purpose Revenue Fund, including nonspendable, restricted, committed, assigned, and unassigned amounts. On a comparable basis, the net assets of General Purpose Revenue Fund increased by \$39.6 million from the prior year. While the State was able to fund the General Fund Statutory Reserve of \$156.6 million on the budget basis due to the deferral of certain expenditures into the following fiscal year, the required reserve on a GAAP basis was zero and the Unassigned Fund Balance was a deficit of \$21.5 million.

On both the budget basis and the GAAP basis, the General Purpose Revenue Fund received augmenting transfers of \$158.1 million in Fiscal Year 2010-11 (\$418.4 million Fiscal Year 2009-10) to address the State’s budget crisis. In Fiscal Year 2010-11 the augmenting transfers were not necessary to prevent a General Purpose Revenue Fund deficit as was the case in the prior year; General Purpose Revenue Fund fund deficits are constitutionally prohibited. However, absent these transfers general-purpose-revenue-funded programs would eventually be required to reduce expenditures by the transferred amounts. The General Purpose Revenue Fund’s \$173.6 million year-end cash balance increased by \$293.0 million from the prior year primarily due to improving tax collections.

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

On the budgetary basis, total expenditures and transfers-out (excluding transfers not appropriated by department) funded from general-purpose revenues during Fiscal Years 2010-11 and 2009-10 were \$6,921.6 million (see page 165) and \$6,727.7 million, respectively. For Fiscal Year 2010-11, the total annual increase in general-funded appropriations was limited to five percent of personal income with certain adjustments. The primary adjustments

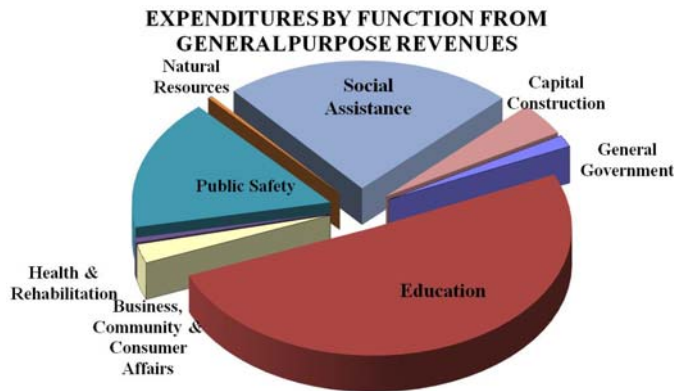
are for changes in federal mandates, lawsuits against the State, and most transfers not appropriated by department. The limit is controlled through the legislative budget process. In Fiscal Year 2010-11, revenues were not sufficient to support the allowed appropriation growth and budget cuts were enacted that resulted in the budget decreasing by 8.4 percent.

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

With expenditures measured using generally accepted accounting principles, the Departments of Education, Health Care Policy and Financing, Higher Education, and Human Services accounted for approximately 81.7 percent of all Fiscal Year 2010-11 general-funded expenditures, which is a decrease of 0.6 percent from the prior year. The Departments of Higher Education, Corrections, and Health Care Policy and Financing's general-funded expenditures increased \$276.3 million (64.4 percent), \$92.6 million (16.4 percent), and \$151.6 million (13.2 percent), respectively. The percentage use of general-funded resources by these three departments increased as a result of the phase-

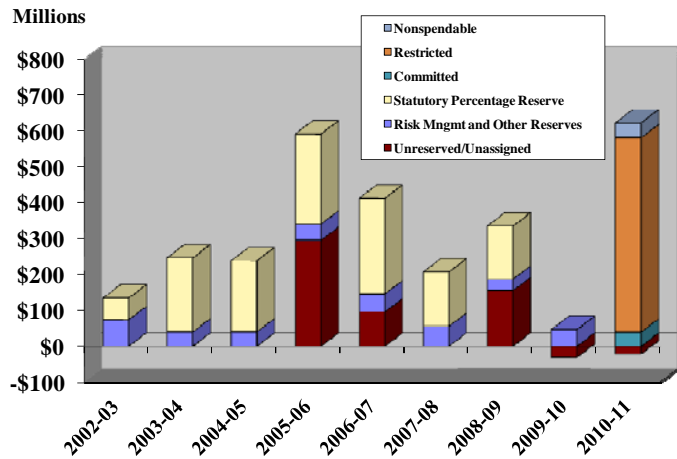
out of American Recovery and Reinvestment Act of 2009 moneys for education stabilization and government services stabilization, and because of increased Medicaid caseloads coupled with the deferral of two additional weeks of Medicaid expenditures from Fiscal Year 2009-10 into Fiscal Year 2010-11. The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

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



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

**GENERAL FUND - FUND BALANCE<sup>1</sup>**



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

**Resource Extraction Fund**

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

**Highway Users Tax Fund**

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

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

**Capital Projects Fund**

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

**State Education Fund**

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

**Higher Education Institutions**

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



**Unemployment Insurance**

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

**State Lottery**

The Lottery produced operating income of \$113.3 million (\$113.8 million in Fiscal Year 2009-10) on sales of \$526.3 million (\$512.3 million in Fiscal Year 2009-10). The change represents a 0.4 percent decrease in operating income. The Lottery distributed \$56.0 million (\$56.4 million in Fiscal Year 2009-10) to the Great Outdoors Colorado program, a related organization, and transferred \$57.9 million (\$57.1 million in Fiscal Year 2009-10) to other State funds, of which, \$10.1 million was used to fund operations of the State’s Division of Parks and Recreation and \$45.3 million was expended to local governments through the Conservation Trust Fund. Because of the requirement to distribute most of its income, the Lottery net assets are minimal and change nominally from year to year.

**ANALYSIS OF BUDGET VARIANCES**

The following analysis is based on the General Fund Surplus Schedule included in Required Supplementary Information on page 165. That schedule isolates general-purpose revenues and expenditures funded from those revenues, and it is therefore the best source for identifying general-funded budget variances.

**Differences Between Original and Final Budgets**

The following list shows departments that had net changes in general-funded budgets greater than \$13.0 million.

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

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

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

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

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

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

#### Differences Between Final Budget and Actual Expenditures

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

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

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

**CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY**

The State’s investment in capital assets at June 30, 2011, was \$16.7 billion (\$16.4 billion in Fiscal Year 2009-10). Included in this amount were \$14.0 billion of depreciable capital assets after reduction for \$6.1 billion of accumulated depreciation. Also included was \$2.7 billion of land, construction in progress, and nondepreciable infrastructure and other assets. The State added \$1,440.4 million and \$1,362.7 million of capital assets in Fiscal Year 2010-11 and 2009-10, respectively. Of the Fiscal Year 2010-11 additions, \$656.1 million was recorded by governmental funds and \$784.4 million was recorded by business-type activities. General-purpose revenues funded \$42.3 million of capital and controlled maintenance expenditures during Fiscal Year 2010-11 and the balance of capital asset additions was funded by federal funds, cash funds, or borrowing. The table below provides information on the State’s capital assets by asset type for both governmental and business-type activities.

The State’s capital assets at June 30, 2011 and 2010, were (see Note 17 for additional detail):

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

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

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

| Fiscal Year 2010-11<br>(Amounts in Millions) |                 |                |                   |                   |                               |                 |                   |                   |
|--|-----------------|----------------|-------------------|-------------------|-------------------------------|-----------------|-------------------|-------------------|
|  | Capital Leases  |                | Revenue Bonds     |                   | Certificates of Participation |                 | Total             |                   |
|  | Principal       | Interest       | Principal         | Interest          | Principal                     | Interest        | Principal         | Interest          |
| Governmental Activities                      | \$ 107.6        | \$ 33.8        | \$ 869.3          | \$ 142.1          | \$ 897.6                      | \$ 660.7        | \$ 1,874.5        | \$ 836.6          |
| Business-Type Activities                     | 48.4            | 17.2           | 2,762.2           | 2,278.8           | 430.5                         | 219.9           | 3,241.1           | 2,515.9           |
| <b>Total</b>                                 | <b>\$ 156.0</b> | <b>\$ 51.0</b> | <b>\$ 3,631.5</b> | <b>\$ 2,420.9</b> | <b>\$ 1,328.1</b>             | <b>\$ 880.6</b> | <b>\$ 5,115.6</b> | <b>\$ 3,352.5</b> |

| Fiscal Year 2009-10<br>(Amounts in Millions) |                 |                |                   |                   |                               |                 |                   |                   |
|--|-----------------|----------------|-------------------|-------------------|-------------------------------|-----------------|-------------------|-------------------|
|  | Capital Leases  |                | Revenue Bonds     |                   | Certificates of Participation |                 | Total             |                   |
|  | Principal       | Interest       | Principal         | Interest          | Principal                     | Interest        | Principal         | Interest          |
| Governmental Activities                      | \$ 97.1         | \$ 30.9        | \$ 992.4          | \$ 190.7          | \$ 690.0                      | \$ 595.1        | \$ 1,779.5        | \$ 816.7          |
| Business-Type Activities                     | 83.4            | 31.3           | 2,306.7           | 1,776.2           | 432.7                         | 241.5           | 2,822.8           | 2,049.0           |
| <b>Total</b>                                 | <b>\$ 180.5</b> | <b>\$ 62.2</b> | <b>\$ 3,299.1</b> | <b>\$ 1,966.9</b> | <b>\$ 1,122.7</b>             | <b>\$ 836.6</b> | <b>\$ 4,602.3</b> | <b>\$ 2,865.7</b> |

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

### **INFRASTRUCTURE ASSETS PREVIOUSLY REPORTED UNDER THE MODIFIED APPROACH**

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

Beginning in Fiscal Year 2007-08, the Department of Transportation reported that available resources were no longer adequate to maintain the State's bridges at the Commission established condition levels as required by the modified approach. Therefore, the department began reporting depreciation of its bridges in Fiscal Year 2007-08. CDOT monitors and rates the condition of approximately 3,800 bridges under its jurisdiction. Bridges that are

unsafe are closed to traffic without regard to their condition rating. Although the modified approach is no longer used for bridges, the following information is included to show historical condition levels through the current fiscal year.

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

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

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

**CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS**

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

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

♦ Pension Plan Contributions

- Like most institutions that rely heavily on investments, the Public Employees Retirement Association (PERA) was severely affected by the global economic downturn beginning in 2008. A negative 26.0 percent return on investments in 2008 was partially offset by positive returns of 17.4 percent and 14.0 percent in 2009 and 2010, respectively. These investment returns caused the funded ratio (actuarial value of assets, using a four-year smoothed-market value, divided by the actuarial accrued liability) of the State Division of PERA to decline from 73.3 percent at December 31, 2007 to 62.8 percent at December 31, 2010. Because of the four-year smoothing, the full effect of the 2008 negative return and subsequent partial recovery is not reflected in the funding ratio. In 2000, when the State Division and the School Division were reported as a single division, the combined division had a funding ratio of 104.7 percent. At December 31, 2010, the amortization period for the plan was 47 years, which means that at the existing contribution level and using the currently applicable actuarial assumptions the liability associated with existing benefits will be fully funded by December 31, 2057. The employer contribution rate of 12.25 percent for most State employees as of June 30, 2011, was 0.8 percentage points (or 7.0 percent) above the average during the 1990s. If not for Senate Bill 10-146 (discussed below) requiring State employees to pay an additional 2.5 percent of salary in Fiscal Year 2010-11, the State's contribution would have been 14.75 percent – 3.6 percentage points or 32.3 percent above the 1990s' average. However, based on the 2008, 2009, and 2010 valuations, PERA's actuary estimated that the State's prospective employer contribution rate would need to be 20.16, 16.09, and 17.77 percent, respectively, to achieve the 30-year amortization period required by the Governmental Accounting Standards Board.
- In the 2006 legislative session, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that adds three percentage points to the annual contribution (from amounts otherwise available for employee salary increases) in addition to the three percentage points required by the Amortization Equalization Disbursement (AED), which was approved in the 2004 session. In the 2010 legislative session, the General Assembly extended the increases required by the AED and SAED. The AED will continue to increase 0.4 percentage points from calendar years 2013 through 2017. The SAED will continue to increase one-half percentage point from calendar years 2014 through 2017. These legislative changes increase the employer's annual contribution for most employees from 15.65 percent in 2012 to 20.15 percent in 2017 and beyond. If the funding ratio of the plan reaches 103 percent, both the AED and SAED will be reduced by one-half percentage point. Neither the AED nor the SAED may exceed 5 percent of salary.
- To provide budgetary relief for the State, Senate Bill 10-146 requires that beginning July 1, 2010, members contribute an additional 2.5 percent of salary to their member accounts and the employer contribution rate be reduced to 11.35 percent. In the 2011 legislative session, Senate Bill 11-076 continued the 2.5 percent swap an additional year through June 30, 2012. This legislation sunsets as of June 30, 2012, after which employee contribution rates will return to the 8.0 percent level in effect prior to July 1, 2010, and State employer contributions will increase to 15.65 percent including the AED and SAED. The Governor's most recent budget balancing plan does not recommend the extending of the 2.5 percent contribution swap past June 30, 2012.
- Senate Bill 10-001 made significant changes to the plan provisions that will affect the State over the long-term by improving the funded status of the plan. The most significant changes affecting the State Division of the plan include reducing the current 3.5 percent annual increase for retiree benefits to the lesser of the consumer price index or 2.0 percent, changing the timing of the annual increase, and making the annual increase contingent on the plan's funded status; extending the AED and SAED as discussed above; requiring future early retirement adjustments to be actuarially neutral; limiting annual increases in the highest average salary calculation for future retirees to 8.0 percent; removing the indexing of benefits for future retirees who become inactive with more than 25 years of service; changing the vesting period required for employer matching contributions; increasing the combined age and years of service requirement for current nonvested employees to 85, to 88 for new hires after 2011, to 90 for new hires after 2017, and increasing the related minimum retirement age; and

requiring retirees returning to work for a PERA employer to pay member contributions that are not refundable and that do not increase service credits. Some of the changes authorized by Senate Bill 10-001 were the subject of a class action lawsuit naming the Governor and certain PERA Board members in claiming the changes are unconstitutional and seeking a mandatory injunction requiring payment of the annual increase in effect before the passage of Senate Bill 10-001. In its 2010 Comprehensive Annual Financial Report, PERA assessed a negative outcome as unlikely, and in June 2011, the Denver District Court dismissed the lawsuit.

- ♦ Election 2000 Amendment 23 – This constitutional requirement was originally designed to exempt a portion of State revenues from the TABOR refund and dedicate those revenues to education programs. With the passage of Referendum C in 2000 and the deterioration of general-funded revenues during Fiscal Years 2008-09 and 2009-10, and the implementation of the Excess State Revenue Cap in Fiscal Year 2010-11, revenues in excess of the TABOR limit are not currently being refunded. However, resources that were once general-purpose revenues continue to be diverted to the State Education Fund. For Fiscal Year 2011-12, \$658.9 million is budgeted from the State Education Fund. The amendment requires the General Assembly to increase funding of education by one percent over inflation through Fiscal Year 2010-11 and by inflation thereafter. This requirement will have increasing impact if the inflation rate increases. The revenue diversion and mandated expenditure growth infringes on general funding for other programs when State revenues decline with the business cycle. Notwithstanding these expenditure increases, the State continues to face legal challenges that assert the current school funding system fails to provide a thorough and uniform system of free public education as required by the Colorado Constitution.
- ♦ Cash Basis Accounting – For Fiscal Year 2002-03 and following years, the Legislature changed the budgetary accounting for June payroll and certain Medicaid expenditures to the cash basis and deferred June paydates until July (after fiscal year-end). During Fiscal Year 2007-08 similar treatment was extended to certain Old Age Pension, Medicare, and Children’s Basic Health Plan expenditures. In Fiscal Year 2008-09 this treatment was applied to an additional month of Medicare payments, and legislation was passed to extend the pay date shift beginning in Fiscal Year 2010-11 to all information technology staff formerly paid by the General Fund. In Fiscal Year 2009-10 this treatment was extended to two weeks of Medicaid payments. Each of these items causes the outflow of resources to be deferred into the following year for General Fund budget purposes. As a result, the State does not use full or modified accrual accounting to calculate budgetary compliance. Instead, potentially significant liabilities (\$153.1 million net of related deferred revenue in Fiscal Year 2010-11) are delayed until the following year assuming that subsequent revenues will be adequate to pay those liabilities. Departures from generally accepted accounting principles (GAAP) such as this could adversely affect the State’s credit rating. It will be difficult for the State to return to the GAAP basis of accounting for budgetary expenditures because of the significant one-time budgetary impact of recording payroll, Medicaid, and other expenditures that were previously deferred.
- ♦ General Fund Liquidity – The General Purpose Revenue Fund shows a cash balance of \$173.6 million at June 30, 2011, providing apparent liquidity. However, as noted previously, this amount was augmented by \$158.1 million of cash transfers from other funds. When combined with nontax receivables it is still significantly less than the \$892.2 million due to vendors, other governments, and other funds at June 30, 2011. These conditions demonstrate that the General Fund increasingly comprises tax receivables (\$1,065.5 million) net of tax refunds payable (\$615.2 million) and deferred revenue (\$281.9 million) related to the tax receivables that are not expected to be collected within the next year. The tax receivable and related refunds are based on the best economic data available at year-end; however, economic projections rarely identify inflection points in the economy. If the State’s economy turns down again, tax receivables will likely decline (due to declining personal income) and tax refunds will likely increase (due to higher than required estimated tax and withholding payments) putting additional pressure on General Purpose Revenue Fund fund balance. Although there were increased tax collections in Fiscal Year 2010-11, the anemic State economy has over time resulted in significantly lower general-purpose revenues than pre-recession amounts and has exacerbated the lack of General Fund liquidity. The General Fund legally has access to short-term borrowing from the cash balances of other funds. Additional cash transfers occurred in Fiscal Year 2010-11 and more are scheduled for Fiscal Year 2011-12 and beyond; however, those transfers become increasingly difficult as accessible cash fund balances are depleted.

♦ Debt Service

- Principal and interest payments on the remaining \$828.2 million of Transportation Revenue Anticipation Notes issued by the Department of Transportation average \$168.0 million per year over the next five years. While a portion of the debt service will be funded by federal funds, a significant amount will be funded by State sources. The Department of Transportation reports significant projected shortfalls in the funding needed to meet transportation infrastructure demand, and legislation increasing fees to provide other sources of transportation funding was enacted for Fiscal Year 2009-10.
- In Fiscal Year 2010-11, the Bridge Enterprise in the Department of Transportation issued \$300.0 million of enterprise fund revenue bonds to be paid from the revenue stream mentioned above. The department has additional large borrowings planned.
- In previous years, the State entered into lease purchase agreements for all or a portion of various construction projects including the Ralph L. Carr Justice Complex, the Colorado History Center, a prison, a hospital building, and a number of school buildings in local school districts. The average debt service over next five years totals \$64.3 million. The majority of the revenue streams to cover the debt service payments comprises cash sources, as there is no general obligation associated with these lease purchases and the investors' sole recourse is the leased asset. However, if the revenue streams intended to fund this debt service do not materialize, the State will need to find other ways to pay for the service-potential represented by these capital assets.

- ♦ Intergovernmental Fiscal Dependency – The State expended \$9,547.4 million (unaudited and including amounts in nonappropriated funds) in federal awards during Fiscal Year 2010-11 which represents 38.0 percent of the \$25,151.1 million shown as expended by the State on the Government-Wide *Statement of Activities*, which is up from the 36.0 percent reported in Fiscal Year 2009-10. These amounts included grants for social, educational, and environmental purposes and fund both direct State expenditures and pass-through assistance to local governments. Current federal revenue projections show a one-year budget deficit of approximately \$0.7 trillion for the 2012 federal Fiscal Year, and a \$3.2 trillion deficit for federal Fiscal Years 2011-2015. The increasing expenditures in both the Social Security and Medicare Part A programs, residual stimulus spending, employee tax cuts under consideration and the potential costs of health care reform along with the interest costs to finance U.S. government borrowing will take up an increasingly large amount of the federal revenue streams. Without significant federal revenue increases or potentially unsustainable federal borrowing, there may be large cuts in federal spending. In the absence of all or a significant portion of this funding, the State's operations and ability to provide services to its citizens would be adversely impacted as would local government services.



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

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

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

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



**BASIC FINANCIAL STATEMENTS**

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**STATEMENT OF NET ASSETS  
JUNE 30, 2011**

PRIMARY GOVERNMENT

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

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

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

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

General Revenues:

Taxes:

Sales and Use Taxes

Excise Taxes

Individual Income Tax

Corporate Income Tax

Other Taxes

Restricted for Education:

Individual Income Tax

Corporate and Fiduciary Income Tax

Restricted for Transportation:

Fuel Taxes

Other Taxes

Unrestricted Investment Earnings (Losses)

Other General Revenues

Payment from State of Colorado

Special and/or Extraordinary Items (See Note 35)

(Transfers-Out) / Transfers-In

Permanent Fund Additions

Total General Revenues, Special Items, and Transfers

Change in Net Assets

Net Assets - Fiscal Year Beginning

Prior Period Adjustment (See Note 29)

Net Assets - Fiscal Year Ending

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

Net (Expense) Revenue and  
Changes in Net Assets

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

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

(DOLLARS IN THOUSANDS)

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

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



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

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

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

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

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

- (A) Management uses Internal Services Funds to report the charges for and the costs of goods and services sold by state agencies solely within the state. Because the sales are primarily to governmental funds, the assets and liabilities of the Internal Service Funds are included in the governmental activities on the government-wide *Statement of Net Assets*. Internal Service Funds are reported using proprietary fund-type accounting in the fund-level financial statements. In addition to minor internal sales within the Department of Transportation and the Department of Public Safety, the State’s Internal Service Funds provide the following goods and services to nearly all state agencies:
- ♦ Fleet management,
  - ♦ Printing and mail services,
  - ♦ Information technology and telecommunication services,
  - ♦ Building maintenance and management in the capitol complex,
  - ♦ Administrative court services, and
  - ♦ Debt collection.
- (B) Capital assets used in governmental activities are not current financial resources, and therefore, they are not included in the fund-level financial statements. However, capital assets are economic resources and are reported in the government-wide *Statement of Net Assets*.
- (C) Long-term liabilities such as leases, bonds, notes, mortgages, and Certificates of Participation (including accrued interest) are not due and payable in the current period, and therefore, they are not included in the fund-level financial statements. However, from an economic perspective these liabilities reduce net assets and are reported in the *Statement of Net Assets*. The portion reported as current in the reconciliation is payable within the following fiscal year. The largest single portion of the long-term balance is related to Transportation Revenue Anticipation Notes issued by the Department of Transportation.
- (D) Risk management liabilities are actuarially determined claims and consist of a current and long-term portion. Generally accepted accounting principles (GAAP) list claims and judgments as an exception to the full accrual basis of accounting that constitutes the modified accrual basis of accounting. The current portion (payable within one year) is excluded from the fund-level statements because it is not payable with expendable available financial resources. In this instance, “payable with expendable available financial resources” means the amounts are not accrued as fund liabilities because they are not budgeted in the current year. The long-term portion of the risk management liability is excluded from the fund-level statements because it is not due and payable in the current period.
- (E) Other measurement focus adjustments include:
- ♦ Interfund balances receivable from or payable to fiduciary funds are reported on the fund-level *Balance Sheet – Governmental Funds* as due from/to other funds. On the government-wide *Statement of Net Assets*, these amounts are considered external receivables and payables.
  - ♦ Long-term assets and long-term taxes receivable are not available to pay for current period expenditures; therefore, the related revenue is reported as deferred revenue on the fund-level *Balance Sheet – Governmental Funds*. From an economic perspective, this revenue is earned and the related deferred revenue is removed from the government-wide *Statement of Net Assets* when the revenue is recognized on the government-wide *Statement of Activities*.
  - ♦ Compensated absences are a GAAP modification of the full accrual basis of accounting similar to claims and judgments discussed above. Therefore, both the current and long-term portions of the liability are shown on the government-wide *Statement of Net Assets*, but they are not reported on the fund-level *Balance Sheet – Governmental Funds*.
  - ♦ Claims and Judgments Payable and other long-term liabilities are not reported on the fund-level *Balance Sheet – Governmental Funds* because the amounts are not due and payable from current financial resources. However, from an economic perspective, these liabilities reduce net assets, and they are therefore reported on the government-wide *Statement of Net Assets*.
- (F) All interfund payable balances shown on the fund-level *Balance Sheet – Governmental Funds* are reported in the internal balances line on the government-wide *Statement of Net Assets* along with all governmental-activities interfund receivables.

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

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

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

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

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

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

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

- (A) Management uses Internal Services Funds to report charges for and the costs of goods and services sold by state agencies solely within the state. Internal Service Funds are intended to operate on the cost reimbursement basis and should break even each period. If an Internal Service Fund makes a profit, the other funds of the State have been overcharged. If an Internal Service Fund has an operating loss, the other funds of the State have been undercharged. In order to show the true cost of services purchased from Internal Service Funds, an adjustment is made that allocates the net revenue/expense of each Internal Service Fund to the programs that purchased the service. Investment income, debt service, and transfers of the Internal Service Fund are not allocated. In addition to minor internal sales within the Department of Transportation and the Department of Public Safety, the State's Internal Service Funds provide the following goods and services to nearly all state agencies:
- ♦ Fleet management,
  - ♦ Printing and mail services,
  - ♦ Information technology services,
  - ♦ Telecommunication services,
  - ♦ Building maintenance and management in the capitol complex,
  - ♦ Administrative court services, and
  - ♦ Debt collection.
- (B) The following adjustments relate to capital assets:
- ♦ Capital assets, received as donations, are not reported on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* because they are not current financial resources. However, such donations increase net assets and are reported on both the government-wide *Statement of Net Assets* and *Statement of Activities*.
  - ♦ Depreciation is not reported on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*, but it is reported for the economic perspective on which the government-wide *Statement of Activities* is presented.
  - ♦ Expenditures reported for capital outlay on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* are generally reported as a conversion of cash to a capital asset on the government-wide *Statement of Net Assets*. They are not reported as expenses on the government-wide *Statement of Activities*.
  - ♦ On the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* all cash received on disposal of capital assets is reported as a gain on sale of capital assets. On the government-wide *Statement of Activities* the reported gain or loss on sale is based on the carrying value of the asset as well as the cash received.
- (C) The following adjustments relate to debt issuance and debt service including leases:
- ♦ Payments on principal and debt refunding payments are reported as expenditures and other financing uses, respectively, on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*. These payments are reported as reductions of lease, bond, and other debt liability balances on the government-wide *Statement of Net Assets* and are not reported on the government-wide *Statement of Activities*.
  - ♦ Amortization of issuance costs, debt premium/discount, and gain/loss on refunding are not reported on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*, but are reported on the government-wide *Statement of Activities*.
  - ♦ Lease proceeds, issuance of debt, and debt refunding proceeds are all reported as other financing sources on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*. From an economic perspective lease proceeds, debt issuances, and debt refunding proceeds are reported as liabilities on the government-wide *Statement of Net Assets* and are not reported on the government-wide *Statement of Activities*.
- (D) Other measurement focus adjustments include:
- ♦ Long-term taxes receivable and certain other long-term assets are offset by deferred revenue and are not part of fund balance on the fund-level *Balance Sheet – Governmental Funds*; however, from a full accrual perspective, changes in the fund-level deferred revenue balances result in adjustments to revenue that are recognized and reported on the government-wide *Statement of Activities*.
  - ♦ Compensated absences accruals and claims and judgments are not normally expected to be liquidated from expendable available financial resources; and therefore, they are not reported on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*. However, from a full accrual perspective, these are expenses that are reported on the government-wide *Statement of Activities*.

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011**

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

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



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

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

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

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

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

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

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

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

(Continued)

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

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

(Continued)

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

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

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

**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2011**

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

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



**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

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

**STATEMENT OF NET ASSETS  
COMPONENT UNITS  
JUNE 30, 2011**

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

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

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

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

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### NOTES 1 Through 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

#### NOTE 1 – GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

#### NOTE 2 – REPORTING ENTITY

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

Financial accountability is defined in GASB Statement No. 14 – The Financial Reporting Entity. The State is financially accountable for those entities for which the State appoints a voting majority of the governing board and either

is able to impose its will upon the entity or there exists a financial benefit or burden relationship with the State.

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

The following entities qualify as discretely presented component units:

- University of Colorado Hospital Authority
- Colorado Water Resources and Power Development Authority
- University of Colorado Foundation
- Colorado State University Foundation
- Colorado School of Mines Foundation
- University of Northern Colorado Foundation
- Other Component Units (Nonmajor)
  - Denver Metropolitan Major League Baseball Stadium District
  - CoverColorado
  - Colorado Venture Capital Authority
  - Colorado Renewable Energy Authority
  - Higher Education Competitive Research Authority
  - Statewide Internet Portal Authority
  - HLC @ Metro, Inc.
  - University of Colorado Real Estate Foundation

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

The University of Colorado Hospital Authority, CoverColorado, the Higher Education Competitive Research Authority, the Renewable Energy Authority, and HLC @ Metro, Inc. are included because they present a financial burden on the State. The Colorado Water Resources and Power Development Authority is included because the State is able to impose its will upon the authority. The Baseball Stadium District is included because its board serves at the pleasure of the Governor, and therefore, the State is able to impose its will upon the entity. The Venture Capital Authority's primary capitalization was insurance premium tax credits contributed by the State's

General Purpose Revenue Fund, and therefore, it qualifies as a component unit because it would be misleading to exclude it. The Statewide Internet Portal Authority is included because it manages a single point of access to electronic State government information, and therefore, it would be misleading to exclude it.

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

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

University of Colorado Hospital Authority  
Chief Financial Officer  
Mail Stop F-417, P.O. Box 6510  
Aurora, Colorado 80045

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

University of Colorado Foundation  
4740 Walnut Street  
Boulder, Colorado 80301

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

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

University of Northern Colorado Foundation, Inc.  
Judy Farr Center  
1620 Reservoir Road  
Greeley, Colorado 80639

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

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

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

Renewable Energy Authority  
410 17<sup>th</sup> Street, Suite 1400  
Denver, CO 80202

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

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

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

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

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

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

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

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

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



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

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

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

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

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

government-wide *Statement of Net Assets* as part of the governmental activities.

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

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

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

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

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

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

**NOTE 4 – BASIS OF PRESENTATION –  
FUND FINANCIAL STATEMENTS**

**Primary Government**

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

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

The State's major funds report the following activities:

**GOVERNMENTAL FUND TYPE:**

General Fund

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

Resource Extraction

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

Highway Users Tax Fund

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

Capital Projects Fund

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

State Education Fund

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

**PROPRIETARY FUND TYPE:**

Higher Education Institutions

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

Unemployment Insurance

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

Lottery

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

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

GOVERNMENTAL FUND TYPE (NONMAJOR):

General Fund

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

Capital Projects

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

Special Revenue Funds

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

Debt Service Fund

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

Permanent Funds

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

PROPRIETARY FUND TYPE (NONMAJOR):

Enterprise Funds

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

Internal Service Funds

The State uses Internal Service Funds to account for sales of goods and services, primarily to internal customers, on a cost reimbursement basis. The major fund concept does not apply to Internal Service Funds. The State's Internal Service Funds reported in supplementary information include Central Services, Information Technology Services (previously reported as the General Government Computer Center and before April 22, 2011, Telecommunications), Capitol Complex, Highways, Public Safety, Administrative Courts, and Other Enterprise Services (previously reported as Debt Collection). In the fund financial statements, these activities are aggregated into a single column. In the government-wide statements, the Internal Service Funds are included in the governmental activities on the *Statement of Net Assets*, and they are included in the *Statement of Activities* through an allocation of their net revenue/expense back to the programs originally charged for the goods or services.

**FIDUCIARY FUND TYPE:**

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

Pension and Benefit Trust Funds

In the basic financial statements, the State reports in a single column the activities related to resources being held in trust for members and beneficiaries of the Group Benefits Plan.

Private Purpose Trust Funds

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

Agency Funds

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

PRESENTATION OF INTERNAL BALANCES

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

FUNCTIONAL PRESENTATION OF EXPENDITURES

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

General Government

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

Business, Community, and Consumer Affairs

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

Education

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

Health and Rehabilitation

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

Justice

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

Natural Resources

Department of Natural Resources

Social Assistance

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

Transportation

Department of Transportation

**Component Units**

The University of Colorado Hospital Authority uses proprietary fund accounting for its operations. The financial statements for the authority's noncontributory defined benefit pension plan are prepared under the accrual basis of accounting, but are not presented in the State's Comprehensive Annual Financial Report. The pension plan statements are available from the authority. Financial information for the authority is presented as of June 30, 2011.

The Colorado Water Resources and Power Development Authority is engaged only in business-type activities, and it uses proprietary fund accounting for its operations. The authority's financial information is presented as of December 31, 2010.

Four of the eight nonmajor component units use proprietary fund accounting in preparation of their financial statements, while the Renewable Energy Authority, and the Higher Education Competitive Research Authority use governmental fund accounting. In addition, CoverColorado and the Venture Capital Authority apply applicable GASB pronouncements as well as all Financial Accounting

Standards Board (FASB) pronouncements that do not conflict with or contradict GASB pronouncements. The financial information for these entities is presented as of December 31, 2010, with the exception of the Higher Education Competitive Research Authority, and the Statewide Internet Portal Authority, which are presented as of June 30, 2011.

The five foundations presented as component units and HLC @ Metro, Inc. follow Financial Accounting Standards Board statements applicable to not-for-profit entities. The foundation's audited not-for-profit financial statements have been recast into the governmental format as allowed by GASB Statement No. 39. Financial information for the five foundation component units and HLC @ Metro, Inc. is presented as of June 30, 2011.

## NOTE 5 – BASIS OF ACCOUNTING

### Primary Government

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

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

### FUND-LEVEL FINANCIAL STATEMENTS

#### Governmental Funds

All transactions and balances of governmental funds are presented on the modified accrual basis of accounting consistent with the flow of current financial resources measurement focus and the requirements of Governmental Accounting Standards Board Interpretation No. 6. Under the modified accrual basis of accounting, revenues are recognized when they are measurable and available. The State defines revenues as available if they are expected to be

collected within one year. Historical data, adjusted for economic trends, are used to estimate the following revenue accruals:

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

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

Expenditures are recognized in governmental funds when:

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

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

#### Proprietary and Fiduciary Funds

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

### Component Units

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

The Colorado Water Resources and Power Development Authority uses the accrual basis of accounting under which revenues are recognized when earned and expenses are recognized when the related liability is incurred. The authority has elected to not apply Financial Accounting Standards Board pronouncements issued after November 30, 1989.

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

**A. CASH AND POOLED CASH**

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

**B. RECEIVABLES**

**Component Units**

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

**C. INVENTORY**

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

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

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

**D. INVESTMENTS**

**Primary Government**

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

**Component Units**

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

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

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

**E. CAPITAL ASSETS**

**Primary Government**

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

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

(Amounts in Dollars)

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

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

(Amounts in Years)

| Asset Class            | Shortest Period Used | Longest Period Used |
|------------------------|----------------------|---------------------|
| Land Improvements      | 5                    | 50                  |
| Buildings              | 3                    | 127                 |
| Leasehold Improvements | 3                    | 50                  |
| Vehicles and Equipment | 3                    | 50                  |
| Software               | 1.5                  | 23                  |
| Library Books          | 5                    | 20                  |
| Other Capital Assets   | 3                    | 22                  |
| Infrastructure         | 20                   | 75                  |

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

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

**Component Units**

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

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

**F. DEFERRED REVENUE**

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

**G. ACCRUED COMPENSATED ABSENCES LIABILITY**

**Primary Government**

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

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

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

### Component Units

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

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

## H. INSURANCE

The State had an agreement with Pinnacol Assurance through June 30, 2011, a related organization, to act as the third party administrator for the State's self-insured workers' compensation claims. The State reimbursed Pinnacol for the current cost of claims paid and related administrative expenses. Actuarially determined liabilities are accrued for claims to be paid in future years.

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

## I. NET ASSETS AND FUND BALANCES

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

Spendable fund balance classifications include:

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

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

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

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

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

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

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

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

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

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

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

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

## **J. RESTATEMENT OF BEGINNING BALANCES**

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

**NOTE 7 – ACCOUNTING POLICIES AFFECTING REVENUES, EXPENDITURES/EXPENSES**

**A. PROGRAM REVENUES**

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

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

**B. INDIRECT COST ALLOCATION**

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

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

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

**C. OPERATING REVENUES AND EXPENSES**

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

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

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

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

**NOTE 8 – STEWARDSHIP, ACCOUNTABILITY, AND LEGAL COMPLIANCE****A. OVEREXPENDITURES**

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

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

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

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

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

## Approved Medicaid Overexpenditures:

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

- ♦ Pediatric Specialty Hospital – The Department of Health Care Policy and Financing overexpended this line item by \$42,475 in general funds. Payments from this line are eligibility-based Medicaid entitlements. The overexpenditure resulted from timing issues related to the phase out of the enhanced federal funding under the American Recovery and Reinvestment Act of 2009 (ARRA), and the underearning of tobacco tax revenue.
- ♦ Various Programs – The Department of Health Care Policy and Financing overexpended four line items by a total of \$276 in general funds related to the phase out of enhanced federal ARRA funding.

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

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

Approved Statewide Overexpenditures Subject to the \$3.0 Million Limit:

- ♦ Workers' Compensation – The Department of Education overexpended this line item by \$844 in cash funds. The department reported a funding mix problem due to reorganizations in the department that resulted in changes in the sources from which employees are funded. Charges are allocated based on how the employees are funded and resulted in the proportion of the line item funded by cash sources to be greater than the estimate used to set the budget.
- ♦ Nurse Home Visitor Program – The Department of Health Care Policy and Financing overexpended this line item by \$1,080 in general funds. The department reported that this was the result of the return of federal monies related to ARRA billings after the expiration of related ARRA funding.

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

- ♦ Department of Higher Education – CollegeInvest – Colorado Prepaid Postsecondary Education Expense Trust Fund – Operating – CollegeInvest overexpended this line item by \$596,020. The overexpenditure occurred because of unrealized losses due to changes in market conditions in the bond investment portfolio, which uses a bond laddering strategy designed to match bond investment cash flows with projected participant withdrawals. CollegeInvest expects to hold the bond investments to maturity, and therefore, it does

not anticipate realizing any of these currently recognized unrealized losses.

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

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

- ♦ Department of Health Care Policy and Financing
  - Healthcare Expansion Fund - \$6,525,390
  - Primary Care Fund - \$594,125
- ♦ Department of Public Health and Environment
  - Tobacco Education Fund - \$ 440,625
  - Prevention, Detection and Treatment Fund - \$197,704

The General Fund Surplus Schedule (page 165) shows a negative reversion of \$6.1 million for the Department of Health Care Policy and Financing. This negative reversion is due to overexpenditures at the Department included in the discussion above.

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

## B. TAX, SPENDING, AND DEBT LIMITATIONS

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

and that receive less than ten percent of annual revenues from the State and its local governments are exempted from the TABOR revenue limits.

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

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

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

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

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

At June 30, 2011, the financial net assets of the following funds were applied to the reserve, up to the limits set in the Long Appropriations Act:

- ♦ Major Medical Fund, a portion of the nonmajor Labor Fund – \$85,400,000. The \$94,000,000 designation by the Legislature has been reduced by \$8,600,000 because that amount was transferred out of the TABOR emergency reserve to the Disaster Emergency Fund per the Governor’s Executive Orders. (See additional information at the end of this Note 8B).
- ♦ Wildlife Cash Fund, a portion of the nonmajor Wildlife Enterprise Fund – \$100,000,000. The Wildlife Cash Fund’s net assets not invested in capital assets (net of related debt) total \$12,368,456, and that amount is shown as restricted for emergencies on the *Combining Statement of Net Assets*. The remaining \$87,631,544 of the Wildlife portion of the reserve comes from the capital assets recorded in the Wildlife Cash Fund. Without consideration of related current liabilities, the Wildlife Cash Fund held \$52,613,752 of cash and receivables that are reported as restricted.

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

The estimate of the needed reserve was based on the December 2010 revenue estimate prepared by the Legislative Council. Because the revenues subject to the TABOR reserve requirement were more than estimated, the amount designated for the reserve was \$18,042,919 less than required by the State Constitution. In the event of an emergency that exceeded the financial assets in the reserve, the designated Wildlife Cash Fund capital assets and general capital assets would have to be liquidated to meet the constitutional requirement.

In Fiscal Year 2010-11, under the direction of the Governor’s Executive Orders, the State transferred \$8.6 million from the Major Medical Fund portion of the TABOR emergency reserve to the Disaster Emergency Fund to pay the costs related to the following emergencies:

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

**NOTE 9 Through 17 – DETAILS OF ASSET ITEMS**

**NOTE 9 – CASH AND POOLED CASH**

**Primary Government**

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

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

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

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

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

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

Under the GASB Statement No. 40 definitions, \$20.6 million of the State’s total bank balance of \$370.5 million was exposed to custodial credit risk because the deposits were uninsured and the related collateral was held by the pledging institution or was held by the pledging institution’s trust department or agent, but not in the State’s name.

**Component Units**

The University of Colorado Hospital Authority had cash deposits with a book balance of \$26.8 million at June 30, 2011, and a related bank balance of \$35.5 million. The balances are held in the authority’s name and are insured or collateralized.

The Colorado Water Resources and Power Development Authority had cash deposits with a bank balance of \$1,418,530 at December 31, 2010, of which \$250,000 was federally insured and \$132,012 was collateralized with the securities held by the pledging institution in a collateral pool, but not in the authority’s name. An additional \$1,036,518 was collateralized with the securities held by the pledging institution’s trust, but not in the authority’s name. The authority also reported as cash and cash equivalents \$64.4 million held by the State Treasurer in a Treasurer’s Agency Fund and \$147.3 million held in the COLOTRUST, a local government investment pool that qualifies as a 2a7-like investment pool where each share is maintained at \$1.00. These amounts are not evidenced by securities, and therefore, they are not subject to custodial risk classification. The COLOTRUST investment has a credit quality rating of AAA, and the investment held by the State Treasurer is not rated for credit quality.

At December 31, 2010, the Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, had cash deposits of \$2.3 million held by a major bank paying interest of 0.05 percent at year-end. All of the district's cash and cash equivalents are maintained with a single major Denver bank resulting in a concentration of credit risk. However, the collateralized amounts were in compliance with the Public Deposit Protection Act discussed above.

The Venture Capital Authority, a nonmajor component unit, had bank deposits of \$6.7 million at December 31, 2010 – of that amount \$6.3 million was not covered by federal deposit insurance.

#### **NOTE 10 – NONCASH TRANSACTIONS IN THE PROPRIETARY FUND TYPES**

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

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



**NOTE 11 – RECEIVABLES**

**Primary Government**

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

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

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

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

- ♦ \$247.3 million of student and other receivables of Higher Education Institutions.
- ♦ \$44.7 million of receivables recorded in the General Fund, of which \$19.7 million is from interest receivable on investments. The Department of Health Care Policy and Financing recorded receivables of \$14.2 million related primarily to rebates from drug companies and overpayments to healthcare providers. The Colorado Mental Health Institutes recorded \$2.7 million of patient receivables.

- ♦ \$78.6 million of receivables recorded by Other Governmental Funds including \$44.8 million of tobacco settlement revenues expected within the following year, \$5.4 million receivable from the Great Outdoors Colorado program by the Resource Management Fund, and \$8.6 million of rent and royalty receivables recorded by the State Lands Funds.

**Component Units**

The University of Colorado Hospital Authority’s primary revenue source is patient service revenue of \$826.8 million, which it recorded net of third-party contractual allowances (\$1,780.8 million), indigent and charity care (\$224.8 million), provision for bad debt (\$46.4 million), and self-pay discounts (\$51.1 million). The hospital maintains a self-pay discount program to reduce uninsured patients’ liabilities by up to 50 percent to a level more comparable to insured patients.

The hospital participates in the Colorado Disproportionate Share Hospital Program, and it received reimbursements from the State of \$52.3 million for Fiscal Year 2010-11. In 2010, the Colorado Health Care Affordability Act was modified, authorizing the Department of Health Care Policy and Financing to collect a fee from hospital providers in order to expand Medicaid coverage. The hospital was charged \$16.1 million out of \$441.1 million collected by the State in hospital provider fees for Fiscal Year 2010-11.

The University of Colorado Hospital Authority has a significant concentration of patient accounts receivable with Medicare (25 percent), Medicaid (10 percent), managed care (46 percent), other commercial insurance (2 percent), and self-pay and medically indigent (12 percent). However, the hospital’s management does not believe there are credit risks associated with these payors other than the self-pay and medically indigent category. The authority continually monitors and adjusts its reserves and allowances associated with these receivables.

Net patient-service revenue under the Medicare and Medicaid programs in Fiscal Year 2010-11 was approximately \$251.9 million. Medicaid, Medicare, and other third-party payer programs reimburse providers at rates generally less than the hospital’s billing rates. Net patient-service revenue is adjusted for these differences and is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

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

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

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

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

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

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

The Venture Capital Authority, a nonmajor component unit, has receivables derived from sales to insurance companies of premium tax credits that were donated by the State of Colorado, which are being recognized over a 10-year period. The VCA's management determined that no

allowance was necessary related to the \$16.6 million of accounts receivable from insurance companies that are reported as Contributions Receivable (\$4.1 million) and Other Long-Term Assets (\$12.5 million) on the *Statement of Net Assets*. However, the authority tracks collection of the receivables on an ongoing basis and establishes an allowance as deemed necessary.

#### **NOTE 12 – INVENTORY**

Inventories of \$63.4 million shown on the government-wide *Statement of Net Assets* at June 30, 2011, primarily comprise:

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

#### **NOTE 13 – PREPAIDS, ADVANCES, AND DEFERRED CHARGES**

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

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

**NOTE 14 – INVESTMENTS****Primary Government**

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

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

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

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

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

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

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

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

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

The Colorado School of Mines and Colorado State University, which are reported in the Higher Education Institutions Fund, held \$3,268,406 and \$949,961, respectively, of hedge funds that were valued based on the net asset value reported by the hedge fund manager. The

net asset value is computed based on dealer quotations on the fair market value of the underlying securities – the majority of which are traded on national exchanges.

Excluding fiduciary funds, the State recognized \$5,004,977 of net realized losses from the sale of investments held by State agencies other than the State Treasurer during Fiscal Year 2010-11.

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

(Amounts in Thousands)

| Footnote Amounts                       | Carrying<br>Amount   |
|--|----------------------|
| Deposits (Note 9)                      | \$ 360,786           |
| Investments:                           |                      |
| Governmental Activities                | 7,296,027            |
| Business-Type Activities               | 1,995,129            |
| Fiduciary Activities                   | 4,068,138            |
| Total                                  | <u>\$ 13,720,080</u> |
| Financial Statement Amounts            |                      |
| Net Cash and Pooled Cash               | \$ 4,182,485         |
| Add: Warrants Payable Included in Cash | 233,322              |
| Total Cash and Pooled Cash             | 4,415,807            |
| Add: Restricted Cash                   | 2,045,128            |
| Add: Restricted Investments            | 1,195,943            |
| Add: Investments                       | 6,063,202            |
| Total                                  | <u>\$ 13,720,080</u> |

**Custodial Credit Risk**

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

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

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

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

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

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

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

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

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

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

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

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

| INVESTMENT TYPE                        | (Amounts in Thousands)        |                   |                     | Fiduciary           |
|--|-------------------------------|-------------------|---------------------|---------------------|
|  | Business-Type Activities      |                   |                     |                     |
|  | Higher Education Institutions | Other Enterprises | Total               |                     |
| U.S. Government Securities             | \$ 161,685                    | \$ 7,147          | \$ 168,832          | \$ 13,412           |
| Commercial Paper                       | 2,550                         | -                 | 2,550               | -                   |
| Corporate Bonds                        | 185,116                       | 17,726            | 202,842             | -                   |
| Corporate Securities                   | 140,805                       | -                 | 140,805             | -                   |
| Repurchase Agreements                  | 15,878                        | -                 | 15,878              | 748                 |
| Asset Backed Securities                | 185                           | -                 | 185                 | -                   |
| Mortgages Securities                   | 106,715                       | 18,025            | 124,740             | -                   |
| Mutual Funds                           | 837,678                       | 563               | 838,241             | 4,015,280           |
| Other                                  | 159,859                       | 341,197           | 501,056             | 38,698              |
| <b>TOTAL INVESTMENTS</b>               | <b>\$ 1,610,471</b>           | <b>\$ 384,658</b> | <b>\$ 1,995,129</b> | <b>\$ 4,068,138</b> |
|  |                               |                   |                     |                     |
| INVESTMENTS SUBJECT TO CUSTODIAL RISK  |                               |                   |                     |                     |
| U.S. Government Securities             | \$ 144                        | \$ -              | \$ 144              | \$ 2,534            |
| Corporate Bonds                        | 4,227                         | -                 | 4,227               | -                   |
| Corporate Securities                   | 8,261                         | -                 | 8,261               | -                   |
| Repurchase Agreements                  | -                             | -                 | -                   | 748                 |
| Mortgages Securities                   | 9                             | -                 | 9                   | -                   |
| <b>TOTAL SUBJECT TO CUSTODIAL RISK</b> | <b>\$ 12,641</b>              | <b>\$ -</b>       | <b>\$ 12,641</b>    | <b>\$ 3,282</b>     |

**Credit Quality Risk**

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

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

The fair value amount of rated and unrated debt securities is detailed in the following table, which shows the Treasurer’s Pooled Cash Investments, Higher Education

Institutions, Fiduciary Funds, and All Other Funds in the aggregate.

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

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

(Amounts In Thousands)

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

## Interest Rate Risk

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

The University of Colorado operates a treasury function separate from the State Treasurer and uses duration to measure and manage interest rate risk for most of its investments. However, University Physicians Incorporated (UPI), a blended component unit of the University of Colorado, manages interest rate risk using weighted average maturity and limits the time to maturity of individual investments to between five and seven years, based on the credit quality rating.

State statute requires the State Treasurer to formulate investment policies regarding liquidity, maturity, and diversification for each fund or pool of funds in the State Treasurer's custody. The State Treasurer's formal investment policy requires a portion of the investment pool to have a maximum maturity of one year and the balance of the pool to have maximum maturity of five years with the

average maturity of the pool not to exceed two and one-half years. The policy also sets maximum maturity limits for certain individual funds for which the Treasurer manages investments including the Public School Permanent Fund (4 - 6 years), the Major Medical Insurance Fund (5 - 8 years), and the Unclaimed Property Tourism Promotion Trust Fund (5 - 10 years).

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

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

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

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

The University of Colorado manages interest rate risk in its Treasurer's pool using a measure of duration. The University's Investment Advisory Committee recommends limits on the duration of fixed income securities using Callan Associates Incorporated data.

The University of Colorado participated in tri-party repurchase agreements of \$15,878,202 to provide temporary investment of funds restricted for capital construction projects. The counterparty to the agreements is required to provide additional collateral when the fair value of U.S. Government securities and U.S. Government agencies securities provided as collateral declines

below 104 percent or 105 percent, respectively. As a result, the university does not have interest rate risk associated with these agreements. The \$15.9 million is not shown in the following duration table; however, the duration associated with the repurchase agreements is 0.4 years.

The University of Colorado has invested \$2,396,215 in U.S. Treasury Inflation Protected Securities with duration of 8.3 years. The interest rate risk of this investment is effectively mitigated by the inflation protection attribute of the investment, and therefore, it is excluded from the



weighted average maturity table above and the following duration table.

Trustees, separate of the State, issued Certificates of Participation that had remaining balances on deposit with the State Treasurer for the Higher Education Institutions Lease Purchase Financing Program (\$26.1 million reported in the Higher Education Institutions Fund), the Building Excellent Schools Today (BEST) program (\$293.6 million primarily reported in the Public School Buildings Fund, a Special Purpose General Fund), the Ralph L. Carr Justice Complex (\$143.4 million reported in a Special Capital Projects Fund), and the Colorado History Center (\$18.3

million reported in a Special Capital Projects Fund). The Treasurer also held deposits of the Department of Transportation's Bridge Enterprise trustees' notes and bonds. In each instance the trustees selected the State Treasurer's pool as their primary investment vehicle. The trustees' investment in the pool is not segregated, but is a share in the overall pool. See above for interest rate risk affecting the pool.

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

(Dollar Amounts in Thousands, Duration in Years)

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

**Foreign Currency Risk**

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

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

**Concentration of Credit Risk**

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

The State Treasurer purchases investments separate of the Treasurer's Pool for the State Education Fund, a major special revenue fund.

The State Education Fund has a concentration of credit risk because the following corporate bond holdings each exceed 5 percent of the total investments in the fund; Colgate Palmolive – 11.3 percent, Eli Lilly – 11.2 percent, Verizon – 11.1 percent, General Electric – 11.2 percent, and Bank of America – 11.2 percent., The concentration occurred because the initial purchase of the bonds was expected to be a small portion of a growing investment balance, which has failed to materialize. New resources of the State Education Fund are being invested through the Treasurer's pooled cash.

**Unrealized Gains and Losses**

Unrealized gains and losses are a measure of the change in fair value of investments (including investments underlying pooled cash) from the end of the prior fiscal year to the end of the current fiscal year. With the implementation of GASB Statement No. 54, unrealized gains are not identified as a separate component of fund

balance. The following schedule shows the State's net unrealized gains and (losses) for all funds by fund category. Fiscal Year 2009-10 has been recast under the fund structure adopted for GASB Statement No. 54 implementation to provide comparability. Total unrealized gains for Fiscal Year 2009-10 have not been changed.

(Amounts in Thousands)

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

## Component Units

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

### Component Units – Non-Foundations

Investments of the University of Colorado Hospital Authority are reported at fair values which are based on quoted market prices, if available, or estimated using market prices for similar securities. Interest, dividends, and realized and unrealized gains and losses are based on the specific identification method and are included in nonoperating income when earned. Restricted investments of the authority include assets held by trustees under bond indenture and insurance agreements. The following table shows the authority's investments at June 30, 2011:

(Amounts in Thousands)

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

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

The Colorado Water Resources and Power Development Authority's investments at December 31, 2010, were:

(Amounts in Thousands)

| INVESTMENT TYPE            | Total             |
|----------------------------|-------------------|
| U.S. Government Securities | \$ 113,190        |
| Repurchase Agreements      | 191,299           |
| <b>TOTAL INVESTMENTS</b>   | <b>\$ 304,489</b> |

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

### Credit Quality Risk

The University of Colorado Hospital Authority's investment policy is based on the prudent-person rule, and it limits credit ratings to AAA or AA for U.S. agency and mortgage-backed securities and Baa or BBB rated or better for other investment types. The table below presents the credit quality ratings by investment type for the authority at June 30, 2011:

(Amounts In Thousands)

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

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

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

**Interest Rate Risk**

The University of Colorado Hospital Authority manages its exposure to interest rate risk by limits set on the duration of its investment portfolio. The following table presents the dollar-weighted modified duration of the major classes of authority investments at June 30, 2011:

(Dollar Amounts in Thousands, Duration in Years)

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

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

CoverColorado, a nonmajor component unit, manages interest rate risk by matching investment maturities with the cash flow needs of its operations. The authority had \$72.8 million of investments subject to interest rate risk with the following maturities; one year or less – 32 percent, one to two years – 30 percent, and two to three years – 38 percent.

**Foreign Currency Risk**

The University of Colorado Hospital Authority’s investment policy manages foreign currency risk by limiting the allocation percentage of international mutual funds to less than 15 percent of total investments. At June 30, 2011, the authority had the following foreign currency exposures in United States dollars: Euro Dollar - \$21.7 million, British Pound - \$9.7 million, Swiss Franc - \$4.5 million, Japanese Yen - \$4.3 million, Chinese Yuan - \$3.3 million, Canadian Dollar - \$2.3 million, South Korean Wan - \$1.9 million, Brazilian Real - \$1.8 million, Hong Kong Dollar - \$1.6 million, Norwegian Kroner - \$1.3 million, and Taiwan New Dollar - \$1.2 million. An additional \$5.9 million was held in various international currencies, none of which exceeded \$1.0 million.

**Concentration of Credit Risk**

At June 30, 2011, no single investment of the University of Colorado Hospital Authority exceeded five percent of total investments. This was consistent with the authority’s policy that limits non-U.S. Government investments to no more than ten percent in any one issuer at the time of purchase.

CoverColorado, a nonmajor component unit, does not limit the amount invested in a single issuer. At December 31, 2010, all of its investments were held by a single issuer and were therefore subject to concentration of credit risk.

**Investments Highly Sensitive to Interest Rate Risk**

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

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

Realized and unrealized gains and losses on the swap agreements are reported as investment income on the *Statement of Revenue, Expenditures, and Changes in Fund Net Assets – Component Units*. During Fiscal Year 2010-11, the two swaps produced a net cash outflow of approximately \$5.3 million. None of the hospital’s swaps qualified for hedge accounting.

### Component Units – Foundations

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

At June 30, 2011, the University of Colorado Foundation held \$250.9 million of domestic equity securities, \$191.3 million of international equity securities, \$178.3 million of fixed income securities, \$436.4 million of alternative investments including real estate, private equities, hedge funds, absolute return funds, venture capital, oil and gas assets, and other investments. The fair value of the alternative investments has been estimated in the absence of readily available market information, and those values may vary significantly from actual liquidation values. The foundation's spending policy allows for the distribution of the greater of 4.0 percent of the current market value of the endowment or 4.5 percent of the endowment's trailing thirty-six month average fair market value. The foundation's investment income of \$123.2 million is net of \$5.5 million of investment fees and comprises \$12.2 million of interest and dividends, \$19.0 million of realized gains, and \$97.5 million of unrealized gains.

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

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

Of the foundation's \$216.1 million of investments, \$16.6 million, or 7.7 percent, was related to split interest agreements. CSMF is also the beneficiary of an endowment valued at \$7.9 million and several long-term trusts valued at \$1.3 million which are reported as Investments on the *Statement of Net Assets – Component Units*. Forty-five percent of the foundation's investment portfolio is invested in limited partnerships and venture capital organizations, some of which are offshore entities and some of which include derivative investments. Since there is no ready market available for these investments, the estimated value may vary significantly from a valuation at a subsequent date.

At June 30, 2011, the University of Northern Colorado Foundation held \$38.6 million of equity securities, \$31.4 million of fixed income securities, and \$25.9 million of cash and other investments. The foundation's investment income of \$16.5 million is net of \$0.2 million of management fees and comprises \$14.1 million of net realized and unrealized gains, and \$2.6 million of interest and dividends.

**NOTE 15 – TREASURER’S INVESTMENT POOL**

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

**NOTE 16 – OTHER LONG-TERM ASSETS**

**Primary Government**

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

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

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

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

**Component Units**

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

**NOTE 17 – CAPITAL ASSETS**

**Primary Government**

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

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

(Amounts in Thousands)

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



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

(Amounts in Thousands)

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

### Component Units

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

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

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

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

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, reported land, land improvements, buildings, and other property and equipment of \$143.0 million, net of accumulated depreciation of \$67.0 million, at December 31, 2010. The district depreciates land improvements, buildings, and other property and equipment using the straight-line method over estimated useful lives that range from 3 to 50 years.

The University of Colorado Foundation reported land, land improvements, buildings, and other property and equipment of \$2.5 million, net of accumulated depreciation of \$9.1 million, at June 30, 2011.

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

**NOTE 18 Through 27 – DETAILS OF LIABILITY ITEMS****NOTE 18 – PENSION SYSTEM AND OBLIGATIONS****Primary Government****A. PLAN DESCRIPTION**

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

Administration of the Plan

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

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

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

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

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

Defined Retirement Benefits

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

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between January 1, 2007 and December 31, 2010 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service. For members with less than five years of service credit as of January 1, 2011 age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.
- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2017 – any age with 35 years of service, age 60 with 30 years of service, or age 65 with 3 years of service.

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

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

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

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

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

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

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

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

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

- Hired before July 1, 2005 – 3.5 percent, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3 percent or the actual increase in the

national Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI).

- Hired on or after January 1, 2007 – the lesser of 3 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)

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

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

Money Purchase Retirement Benefit

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

Service Requirement and Termination

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

### Disability and Survivor Benefits

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

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

### B. FUNDING POLICY

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

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

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

In the 2004 legislative session, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional 0.5 percent of salary beginning January 1, 2006, another 0.5 percent of salary in 2007, and subsequent year increases of 0.4 percent of salary until the additional payment reaches 3.0 percent in 2012.

In the 2006 legislative session, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries paid beginning January 1, 2008. The SAED is scheduled to increase by one-half percentage point through 2013 resulting in a cumulative increase of three percentage points.

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

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

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

The Fiscal Year 2010-11 contribution was allocated by PERA according to statute as follows:

- 1.02 percent was allocated to the Health Care Trust Fund throughout the fiscal year,
- From July 1, 2010, to December 31, 2010, 10.33 percent was allocated to the defined benefit plan, and
- From January 1, 2011, to June 30, 2011, 11.23 percent was allocated to the defined benefit plan.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2010, the State Division of PERA had a funded ratio of 62.8 percent and a 47-year amortization period based on current contribution rates. The funded ratio on the market value of assets is lower at 61.3 percent.

The State made the following retirement contributions:

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

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

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

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

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

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

**C. OTHER PENSION CONTRIBUTIONS**

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

**Component Units**

The University of Colorado Hospital Authority participates in two pension plans, which cover substantially all of its employees. One plan is the Public Employees Retirement Association defined benefit plan for State employees. The hospital made contributions of \$86,000 to this plan in Fiscal Year 2010-11. The other plan is a single employer noncontributory defined benefit plan for which the authority establishes the benefit and contribution rates. The hospital made contributions of \$20.1 million in Fiscal Year 2010-11 to this plan. The amount of the actuarially computed net periodic pension cost was \$20.4 million. In Fiscal Year 2008-09, the hospital elected to contribute additional moneys to the plan resulting in a net pension asset of \$6.8 million as of June 30, 2011, which will be used to offset funding requirements in future periods. The net pension asset is reported on the *Statement of Net Assets – Component Units*. At July 1, 2010, the latest actuarial valuation date, the plan’s unaudited funded ratio was 100 percent; the funded ratio has been at 100 percent since at least July 1, 2008. The Authority also provides three other retirement plans, as discussed in Note 20.

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

**NOTE 19 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE**

Actuarial valuations of an ongoing OPEB plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are

compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information (see Note RSI-2) following the notes to the financial statements, presents multiyear trend information, when available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

### Primary Government

#### PERA Health Care Trust Fund

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

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

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

Beginning July 1, 2004, the State contribution to the Health Care Trust Fund was 1.02 percent of gross covered wages. The State paid contributions of \$24.3 million, \$24.0 million, \$24.6 million, \$23.1 million, \$24.4 million, and \$20.6 million in Fiscal Years 2010-11, 2009-10, 2008-09, 2007-08, and 2006-07, respectively. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number

of persons covered. The Health Care Trust Fund offers two general types of plans – fully insured plans offered through healthcare organizations and self-insured plans administered for PERA by third party vendors. In addition, two of PERA's insurance carriers offered high deductible health care plans in 2010. As of December 31, 2010, there were 48,455 participants, including spouses and dependents, from all contributors to the plan.

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

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

#### University of Colorado – Other Postemployment Benefits Plan

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

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

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

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

(Amounts In Thousands)

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

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

(Amounts In Thousands)

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

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

Colorado State University – Other Postemployment Benefits Plans

Colorado State University administers four single employer defined benefit healthcare plans. The Retiree Medical Premium Refund Plan (RMPR) provides a monthly subsidy for medical premiums of up to \$200 per month for employees who retire from the university and are participants in its defined contribution plan. The Retiree Medical Premium Subsidy for PERA Participants Plan (RMPS) provides a monthly subsidy for medical

premiums of up to \$317 (reduced by the amount of premium subsidy provided by PERA) for employees who are PERA participants and retire from the University. The Umbrella RX Plan (URX) supplements prescription benefits provided through PERA for employees with ten or more years of PERA service. The Long-Term Disability Insurance Plan (LTD) provides a monthly income replacement benefit for employees still on disability after the 91<sup>st</sup> consecutive calendar day of total disability. LTD covers a percentage of the monthly salary up to established caps and continues until recovery, death, or until attained age between 65 and 70 years depending on when the employee became disabled. The University's Board of Governors has the authority to establish and amend benefits provisions for all plans.

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

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

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

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

(Amounts In Thousands)

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

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

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

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

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

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

The RMPR and RMPS plans assumed an annual healthcare cost trend initial rate of eight percent declining to an ultimate rate of five percent. The LTD does not use a healthcare trend rate because it provides income replacement, not healthcare. The RMPR and LTD plans used a level percentage of projected payroll to amortize the UAAL and the RMPS and URX plans used a level dollar amount. All four plans originally amortized the UAAL over

30 years; the amortization period for the RMPR is a thirty-year open period, while twenty-seven years remain on the closed period for the RMPS and URX and 30 years remains for the LTD open period.

### Other Programs

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

### Component Units

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

## NOTE 20 – OTHER EMPLOYEE BENEFITS

### Primary Government

#### A. MEDICAL AND DISABILITY BENEFITS

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

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



healthcare premiums are allowed on a pretax basis under the State's flexible spending account benefits plan.

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

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

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

**B. EMPLOYEE DEFERRED COMPENSATION PLAN**

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State Deferred Compensation Plan which was established for State and local government employees in 1981. At July 1, 2009, the State's administrative functions were transferred to PERA in a fiduciary to fiduciary transfer; all costs of administration and funding are borne by the plan participants. The 457 plan allows for voluntary participation to provide additional benefits at retirement, and all employees may contribute to the 457 plan. At conversion, State employees were the primary participants in the 457 plan. In calendar year 2010, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution with a temporary increase to 10.5 percent for

Fiscal Years 2010-11 and 2011-12) to a maximum of \$16,500. Participants who are age 50 and older, and contributing the maximum amount allowable, can make an additional \$5,500 in 2010, for total contributions of \$22,000. Contributions and earnings are tax deferred. At December 31, 2010, the plan had 18,215 participants.

**C. OTHER RETIREMENT PLANS**

PERA 401k Plan

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

PERA Defined Contribution Retirement Plan

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

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

Higher Education Optional Retirement Plans

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

Other State Retirement Plans

The State made contributions to other retirement plans of \$100.4 million and \$95.5 million during Fiscal Years 2010-11 and 2009-10, respectively. In addition, the State paid \$80.9 million and \$78.0 million in FICA and Medicare taxes on employee wages during Fiscal Years 2010-11 and 2009-10, respectively.

**Component Units**

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

The University of Colorado Hospital Authority provides a single employer defined contribution plan (401a) and a single employer tax-deferred annuity plan (403b) that required the hospital to make matching contributions of \$6.6 million in Fiscal Year 2010-11. The hospital also provides a single employer tax deferred plan (457b) that did not require hospital contributions. All three plans are administered by third-party investment companies. The financial statements of these pension plans are available from the hospital.

**D. TERMINATION BENEFITS**

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

**NOTE 21 – RISK MANAGEMENT****Primary Government**

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

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

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

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

Colorado employers are liable for occupational injuries and diseases of their employees. Benefits are prescribed by the Workers' Compensation Act of Colorado for medical expenses and loss of wages resulting from job-related disabilities. The State uses the services of Pinnacol Assurance, a related organization, to administer its plan. The State reimburses Pinnacol for the current cost of claims paid and related administrative expenses.

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

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

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

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

The University of Colorado Graduate Medical Education Health Benefits Program is a comprehensive self-insurance health and dental benefits program for physicians in training at the University of Colorado Anschutz Medical Campus. The university manages excess risk exposure for staff medical claims by purchasing stop-loss insurance of \$200,000 per person and \$10.0 million in aggregate annually. There were no reductions of insurance coverage in Fiscal Year 2010-11 for this program. There have been no claims against the aggregate stop-loss insurance in the previous three years; however, the university collected \$1,074,189 from the stop-loss insurance carrier for individual claims in excess of the threshold from Fiscal Years 2009 through 2011. An insurance brokerage firm estimates liabilities of the plan using actuarial methods.

The University of Colorado Denver also self-insures its faculty and staff for medical malpractice through the University of Colorado Self-Insurance Trust, consistent with the limits of governmental immunity. For claims outside of governmental immunity, the Trust has purchased insurance to cover claims greater than \$1.0 million per occurrence and in the aggregate annually. The discounted liability for malpractice is determined annually by an actuarial study. There was no significant reduction in insurance coverage in Fiscal Year 2010-11, and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Colorado State University is self-insured for employee medical and dental plans, but purchases re-insurance for healthcare claims over \$200,000. The related liability is based on underwriting review of claims history and current data. The university is self-insured for worker's compensation up to \$500,000, and has purchased re-insurance for individual claims up to statutory limits.

The Colorado State University general liability claims arising out of employment practices are self-insured up to \$500,000 with excess insurance purchased for claims up to \$5.0 million and additional insurance purchased for claims up to \$10.0 million per occurrence. The university is self-insured for property damage up to \$100,000, but has purchased excess insurance providing coverage up to \$1.0 billion per occurrence. There were no significant reductions in insurance coverage in Fiscal Year 2010-11, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

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

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

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

Changes in claims liabilities were as follows:

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

## Component Units

In order to manage malpractice claims risk, the University of Colorado Hospital Authority participates in a self-insurance trust – the University of Colorado Self-Insurance and Risk Management Trust. The trust provides coverage up to the governmental immunity limits (\$150,000 per individual and \$600,000 per occurrence for claims arising within the State). The trust also provides coverage of \$1.0 million for claims arising outside the State and contracts with a commercial insurance company for coverage to \$6.0 million per occurrence or in aggregate per year when governmental immunity does not apply. For Fiscal Year 2010-11, the hospital recorded premium and administrative expenses of \$505,000. The trust had a fund balance of \$1.1 million, which was net of approximately \$5.1 million in reserves for losses and loss adjustment expense. The hospital purchases insurance coverage for theft, property damage, injuries and accidents, business interruption, automobile, nonowned aircraft, errors and omissions, fiduciary responsibility, and employee health and dental through commercial insurance companies.

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

## NOTE 22 – LEASE COMMITMENTS

### Primary Government

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

At June 30, 2011, the State had the following gross amounts of assets under capital lease:

| (Amounts in Thousands)                         |          |            |                     |
|--|----------|------------|---------------------|
| Gross Assets Under Lease (Before Depreciation) |          |            |                     |
|  | Land     | Buildings  | Equipment and Other |
| Governmental Activities                        | \$ 735   | \$ 56,875  | \$ 139,115          |
| Business-Type Activities                       | 5,130    | 44,369     | 24,484              |
| Total  | \$ 5,865 | \$ 101,244 | \$ 163,599          |

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

| (Amounts in Thousands)   |         |           |        |
|--------------------------|---------|-----------|--------|
| Sublease Rentals         |         |           |        |
|                          | Capital | Operating | Total  |
| Governmental Activities  | \$ 263  | \$ 575    | \$ 838 |
| Business-Type Activities | -       | 10        | 10     |
| Total                    | \$ 263  | \$ 585    | \$ 848 |

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

| (Amounts in Thousands)   |         |           |       |
|--------------------------|---------|-----------|-------|
| Contingent Rentals       |         |           |       |
|                          | Capital | Operating | Total |
| Business-Type Activities | \$ -    | \$ 19     | \$ 19 |
| Total                    | \$ -    | \$ 19     | \$ 19 |

Colorado State University Research Foundation, a related party, is a not-for-profit Colorado corporation, established to aid and assist the three institutions governed by the Colorado State University System Board of Governors in their research and educational efforts. The support provided by the foundation to the institutions includes patent and licensing management, equipment leasing, municipal lease administration, debt financing, and land acquisition, development, and management. Colorado State University subleases space, vehicles, and equipment from the foundation. At June 30, 2011, the total obligation for the space was \$2.9 million, with an average annual lease payment of \$136,086, and the total obligation for the vehicles and equipment was \$4.1 million, with total annual lease payments of \$1.7 million.

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

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

The Colorado Community College System made lease payments of \$469,765 to the Colorado Community College System Foundation.

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

For Fiscal Year 2010-11, the State recorded building and land rent of \$50.2 million and \$19.1 million in governmental and business-type activities, respectively. The State also recorded equipment and vehicle rental expenditures of \$9.4 million and \$31.1 million in governmental and business-type activities, respectively. The above amounts were payable to entities external to State government and do not include transactions with the State fleet management program.

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

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

Future minimum payments at June 30, 2011, for existing leases were as follows:

(Amounts in Thousands)

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

### Component Units

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

(Amounts in Thousands)

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

The Colorado Water Resources and Power Development Authority leases office facilities under an operating lease that expires December 31, 2012. Total rental expense for the year ended December 31, 2010 was \$118,581. The total minimum rental commitment under this lease is \$215,557 as of December 31, 2010.

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

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



**NOTE 23 – SHORT-TERM DEBT**

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

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

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

|  | (Amount in Thousands)          |                   |                       |                              |
|--|--------------------------------|-------------------|-----------------------|------------------------------|
|  | Beginning<br>Balance<br>July 1 | Changes           |                       | Ending<br>Balance<br>June 30 |
|  |                                | Additions         | Reductions            |                              |
| <b>Governmental Activities:</b>                            |                                |                   |                       |                              |
| Tax Revenue Anticipation Notes                             | \$ -                           | \$ 500,000        | \$ (500,000)          | \$ -                         |
| Education Loan Anticipation Notes                          | \$ 515,000                     | 325,000           | \$ (840,000)          | -                            |
| <b>Total Governmental Activities Short-Term Financing</b>  | <b>515,000</b>                 | <b>825,000</b>    | <b>(1,340,000)</b>    | <b>-</b>                     |
| <b>Business Type Activities:</b>                           |                                |                   |                       |                              |
| Short-Term External Loans                                  | 40,000                         | -                 | (40,000)              | -                            |
| <b>Total Business Type Activities Short-Term Financing</b> | <b>40,000</b>                  | <b>-</b>          | <b>(40,000)</b>       | <b>-</b>                     |
| <b>Total Short-Term Financing</b>                          | <b>\$ 555,000</b>              | <b>\$ 825,000</b> | <b>\$ (1,380,000)</b> | <b>\$ -</b>                  |

**NOTE 24 – NOTES, BONDS, AND CERTIFICATES OF PARTICIPATION PAYABLE****Primary Government**

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

During Fiscal Year 2010-11 the State's governmental activities had \$168.0 million of federal and State revenue available in the Highway Users Tax Fund to meet an equivalent amount of debt service. Collectively, the State's business-type activities had \$611.6 million of available net revenue after operating expenses to meet the

\$183.2 million of debt service requirement related to revenue bonds.

The revenue of an individual business-type activity is generally not available to meet the debt service requirements of another business-type activity. (See additional disclosures regarding pledged revenue in Note 37.)

The State recorded \$244.5 million of interest costs, of which, \$90.1 million was recorded by governmental activities and \$154.4 million was recorded by business-type activities. The governmental activities interest cost primarily comprises \$50.0 million of Highway Users Tax Fund interest on Transportation Revenue Anticipation Notes issued by the Department of Transportation, and \$16.3 million of interest primarily on Certificates of Participation issued by the Judicial Branch. The business-type activities interest cost primarily comprises \$119.1 million of interest on revenue bonds issued by institutions of higher education, and \$16.0 million of interest paid to lending institutions that made loans to students under the College Assist loan guarantee program. College Assist is a nonmajor enterprise fund.

Annual maturities of notes, bonds, and COPs payable at June 30, 2011, are as follows:

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

(Amounts in Thousands)

Business-Type Activities

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

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

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

(Amounts in Thousands)

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

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

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

(Amounts in Thousands)

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

### Component Units

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

(Amounts in Thousands)

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

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

All of the Colorado Water Resources and Power Development Authority's Small Water Resources Program bonds (except for the 1996 Series A bonds) are insured as to payment of principal and interest by Nation Public Finance Guaranty, a wholly owned subsidiary of MBIA, Inc. The 1996 Series A bonds as well as the Clean Water Revenue Bonds Series 1989A are insured by Financial Guaranty Insurance Company. The Clean Water Revenue Bonds, Series 1992A are insured as to payment of principal and interest by Assured Guaranty Municipal Corp. The Wastewater Revolving Fund Refunding Revenue Bonds, Series 1996A are insured as to payment of principal and interest by AMBAC Indemnity Corporation.

The Water Resources Revenue Bonds, Series 2003A and 2003B, Series 2004A, 2004B, 2004C, 2004D, and 2004E, and Series 2005A, 2005E, and 2005F are insured as to payment of principal and interest by MBIA Insurance Corporation. The Water Resources Revenue Bonds Series 2005B, 2005C, and 2005D, Series 2008A, Series 2009A, and Series 2010A are insured as to payment of principal and interest by Assured Guaranty Municipal Corp. The authority can issue up to \$150.0 million (excluding refunding bonds) of outstanding Small Water Resources Revenue Bonds, and as of December 31, 2010, it had \$59.5 million of these bonds outstanding.

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

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

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

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

(Amounts in Thousands)

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

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

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

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

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

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

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

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

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

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

**NOTE 25 – CHANGES IN LONG-TERM LIABILITIES**

**Primary Government**

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

(Amount in Thousands)

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

Accrued compensated absences liabilities of both the governmental activities and the business-type activities are normally liquidated using resources of the fund that is responsible for paying the employee's salary. As a result, the resources of nearly all of the State's funds are used to liquidate the compensated absence liability.

The amount shown in the schedule above for Notes, Bonds, and Certificates of Participation do not include the short-term borrowing disclosed in Note 23. A current portion is not normally identifiable for Derivative Instrument Liabilities, Claims and Judgments Payable in business-type activities, and Other Long-Term Liabilities, except for CollegeInvest's prepaid tuition costs in the business-type activities. For Fiscal Year 2010-11, the current portion of Other Postemployment Benefits is being reported as Other Current Liabilities on the Statement of Net Assets.

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

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

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

The \$434.2 million shown for governmental activities primarily comprises:

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

### Component Units

Changes in long-term liabilities are summarized as follows:

(Amounts in Thousands)

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

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

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

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

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

Changes in value of the investments are combined with changes in the actuarial estimate of liabilities and are reported as Gifts and Donations revenue on the *Statement of Revenue, Expenditures, and Changes in Fund Net Assets – Component Units*. At June 30, 2011, the foundation held \$61.9 million of split interest agreement investments with \$22.0 million of related liabilities and reported \$3.9 million of net beneficial interest in charitable trusts held by others.

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

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



risks involved. A contribution is recognized for the estimated remainder interest.

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

At June 30, 2011, total life income agreement assets of CSUF were \$747,310. Life income agreements payable at the same date totaled \$885,499. The estimated net present value of obligations to named beneficiaries is reported as an Other Long-Term Liability on the *Statement of Net Assets – Component Units*.

At June 30, 2011, the foundation held \$12.2 million of endowments and related expendable accounts for Colorado State University. On the *Statement of Net Assets – Component Units*, this liability is reported as Deposits Held in Custody.

At June 30, 2011, the Colorado School of Mines Foundation (CSMF), acting as trustee, held charitable trust and pooled income assets of \$16.6 million; related liabilities of \$10.1 million are calculated using the Internal Revenue Service discount rate for computing charitable contribution deductions. The estimated net present value of obligations to named beneficiaries is reported as part of Other Long-Term Liabilities on the *Statement of Net Assets – Component Units*.

CSMF has entered several gift annuity contracts that require future payments to the donor or their named beneficiaries; these requirements are reported as part of the \$10.1 million mentioned above and total \$4.8 million. At June 30, 2011, CSMF reported \$15.4 million of assets held in trust, primarily for the Colorado School of Mines, which are shown on the *Statement of Net Assets – Component Units* as Deposits Held in Custody.

**NOTE 26 – DEFEASED DEBT**

Debt is defeased by depositing in escrow accounts an amount sufficient, together with known minimum investment yields, to pay principal, interest, and any redemption premium on the debt to be defeased. During Fiscal Year 2010-11, debt was defeased only in business-type activities.

At June 30, 2011, the remaining balances of amounts previously placed in escrow accounts with paying agents are as follows:

| (Amount in Thousands)        |            |
|------------------------------|------------|
| Agency                       | Amount     |
| Governmental Activities:     |            |
| Department of Transportation | \$ 210,955 |
| Department of Treasury       | 26,335     |
| Department of Corrections    | 18,100     |
| Business-Type Activities:    |            |
| University of Colorado       | 201,410    |
| Mesa State College           | 28,445     |
| Colorado School of Mines     | 23,800     |
| Community College System     | 5,920      |
| Colorado State University    | 9,595      |
| Western State College        | 8,395      |
| Adams State College          | 8,430      |
| Total                        | \$ 541,385 |

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

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

**NOTE 27 – POLLUTION REMEDIATION OBLIGATIONS**

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

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

The State's total amount of pollution remediation obligations as of June 30, 2011 was \$152.5 million (\$3.8 million of which was a current liability). Superfund sites account for approximately \$150.6 million of the State's total pollution remediation obligation. Other pollution obligations of the State include remediation activities related to asbestos abatement and removal, ground water contamination, and underground storage tanks. Individually significant pollution remediation obligations are disclosed below:

- ♦ DPHE recorded a liability for remediation activities at the Summitville Mine of approximately \$68.0 million related to the operation of a water treatment plant. Currently the department shares the cost of operating the water treatment plant, construction of a new treatment plant in Fiscal Year 2011-12, and the operating and maintenance costs of the new plant with the Environmental Protection Agency (EPA) in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in calendar year 2023, the State will assume 100 percent of the operating costs of the new plant. Estimated construction costs are based on engineering designs and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs. As of June 30, 2011, the State has received \$11.0 million in recoveries from other responsible parties.
- ♦ DPHE recorded a liability for remediation activities in the Clear Creek Basin of approximately \$51.1 million related to a number of inactive precious metal mines that have caused contamination in surface water and soil in the basin. The liability includes remediation and site clean-up activities, projected post-remediation operating and monitoring costs, the State operation of an existing water treatment plant, and operation of a new water treatment plant whose construction is expected to commence in 2013. Current operating and maintenance costs are borne 100 percent by the State. Beginning in 2016, the department will share these costs with the EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA for 10 years, after which time the State assumes 100 percent of the costs. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.
- ♦ DPHE recorded a liability for remediation activities at the Captain Jack Mill of approximately \$5.9 million related to the clean-up of contamination from mine waste piles and drainage. The EPA and the State have agreed upon a remediation plan from a recently completed engineering study. The State will be liable for a share of construction costs for a water treatment plant as well as future operating and maintenance costs in a cost-sharing ratio of 10 percent State, 90 percent EPA for the first 10 years, after which time the State assumes 100 percent of the costs. Plant construction cost estimates were based upon engineering designs and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs. The State is currently investigating an experimental alternative that, if successful, would eliminate the need to construct the treatment plant.
- ♦ DPHE recorded a liability for remediation activities at the Nelson Tunnel of approximately \$17.8 million related to the clean-up of contamination from mine waste piles and drainage. The liability includes the construction of a water treatment plan from 2015 to 2017. The State will be liable for a share of construction costs for a water treatment plant as well as future operating and maintenance costs in a cost-sharing ratio of 10 percent State, 90 percent EPA until 2028, after which time the State assumes 100 percent of the costs. Plant construction cost estimates were

based upon engineering designs and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

**NOTE 28 – DERIVATIVE INSTRUMENTS**

On March 5, 2008, the Colorado School of Mines entered into an interest rate swap agreement in connection with its Variable Rate Demand Enterprise Refunding Revenue Bonds Series 2008A debt issuance. The swap agreement was not terminated with the refunding of the Series 2008A bonds with the Series 2010A bonds (see Note 26). This agreement continues to qualify as a hedging derivative instrument per GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments. Changes in the fair value of hedging derivative instruments are reported as either deferred inflows or deferred outflows of resources in the *Statement of Net Assets*, and accordingly, the State recognized a Deferred Inflow of Resources of \$2.0 million as of June 30, 2011.

The Swap Agreement is a cash flow hedge and was entered into with the objective of protecting against the potential of rising interest rates on existing variable rate revenue bonds. The Agreement, with an original notional amount of \$43.2 million and current notional amount of \$42.5 million, provides for net settlement payments to or from Morgan Stanley equal to the difference between the Agreement's fixed rate of 3.59 percent (payable by the School) and 67 percent of the one-month British Bankers' Association London InterBank Offering Rate (payable by Morgan

Stanley), which was 0.18 percent at June 30, 2011. Cash flows between the parties are settled on the net difference. The market value as of June 30, 2011 was \$6.2 million as determined by Morgan Stanley, counterparty to the Swap Agreement. The Agreement has an effective date of March 5, 2008, and a termination date of December 1, 2037. The derivative is reported under Noncurrent Liabilities on the *Statement of Net Assets*.

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

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



**NOTES 29 Through 32 – DETAILS OF NET ASSETS AND FUND EQUITY****NOTE 29 – PRIOR PERIOD ADJUSTMENTS AND ACCOUNTING CHANGES**

Adjustments that are due to corrections of errors or statutory changes are presented in the table below as Prior Period Adjustments. Beginning balances adjusted for accounting changes required by Governmental Accounting Standards Board Statement No. 54 are presented in Section B of this note.

**A. PRIOR PERIOD ADJUSTMENTS**

The beginning net assets of the Governmental Activities on the government-wide *Statement of Activities* increased by \$14,971,609 due to the following adjustments:

- ♦ An increase of \$32,244,111, when the Department of Transportation identified that construction in progress related to roadway and bridge projects in prior years had not been recorded correctly. This adjustment appears only on the government-wide *Statement of Activities* because the related assets are not reported in the fund level statements.
- ♦ A decrease of \$3,555,667, when the Department of Health Care Policy and Financing corrected an error in calculating the federal share of amounts recovered to be returned to the federal government since Fiscal Year 2008-09. The correction of this error also reduced the beginning net assets on the fund-level *Statement of Revenue, Expenditures and Changes in Fund Balance*.
- ♦ A decrease of \$428,835, when the Department of Personnel & Administration reduced the beginning fund balance of the Worker's Compensation Risk Management Fund, a Special Purpose General Fund, by \$282,037 and \$146,798 when it paid Colorado Mesa University and Fort Lewis College respectively, to assume responsibility for claims that would have otherwise been current liabilities of the fund in Fiscal Year 2010-11. These transactions had no effect on the Higher Education Institutions enterprise fund because these institutions received cash equivalent to the newly assumed current liability.
- ♦ A decrease of \$13,288,000 when the Department of Public Health and Environment identified that expenditures related to pollution remediation obligations for Fiscal Year 2009-10 were erroneously not recorded until Fiscal Year 2010-11. This adjustment appears only on the government-wide *Statement of Activities* because the related liabilities are not reported in the funds.

The beginning net assets of the Business-Type Activities on the government-wide *Statement of Activities* decreased by \$46,850,329 due to the following adjustments:

- ♦ A decrease of \$46,163,000, due to an erroneous actuarial valuation for the University of Colorado's post employment benefit plan. It was determined that the healthcare trend rate had been developed but had not been utilized in the calculation of the actuarial accrued liability. The correction of this error also reduced the beginning net assets on the fund-level *Statement of Net Assets – Proprietary Funds*.
- ♦ A decrease of \$687,329 in CollegeInvest, a nonmajor enterprise fund, related to CollegeInvest's failure to record their amortized discount income for the Prepaid Tuition Fund at the cost amount in prior years. The correction of this error also reduced the beginning net assets on the fund-level *Statement of Revenue, Expenses and Changes in Net Assets – Proprietary Funds*.

Additional changes on the *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* that did not affect the *Statement of Activities* are as follows:

- The beginning fund balance of the General Purpose Revenue Fund increased by \$12,158,021 due to the accrual of the cash funded revenue portion of Medicaid costs that had not been recorded in the prior year by the Department of Health Care Policy and Financing. This correction also decreased the beginning fund balance in the Tobacco Impact Mitigation Fund and the Environment and Health Protection Fund, both nonmajor special revenue funds, in the amounts of \$11,607,443 and \$550,578, respectively.
- ♦ The beginning fund balance of the Capital Projects Fund, a major governmental fund, increased by \$6,730. The decrease is related to legislation enacted in Fiscal Year 2009-10 which transferred the fund balance between the Capital Projects Fund and other nonmajor special revenue funds. The beginning fund balances on the fund-level *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* in the Gaming Fund, a nonmajor special revenue fund, decreased by \$1,474,551 and Other Special Revenue Funds increased in the amount of \$1,467,821.
- ♦ The beginning fund balance of the Environment and Health Protection Fund, a nonmajor special revenue fund, increased due to the elimination of a liability of \$210,000 by the Department of Public Health and Environment, to correct an error in a pollution remediation obligation recorded in a prior year.
- ♦ The beginning fund balance of the Environment and Health Protection Fund, a nonmajor special revenue

fund, increased by \$504,958. This increase is due to transfer of the Waste Tire Program from the Department of Local Affairs to the Department of Public Health and Environment. This activity also decreases by the same amount the beginning fund balance of Other Special Revenue Funds.

- ♦ The beginning fund balance of the Other Special Purpose Fund, a component of the Special Purpose General Funds, decreased by \$220,000 when the Department of Public Health and Environment transferred the fund balance of the Advance Technology Fund, to the Process and End Users Waste Tire Fund, a nonmajor Other Special Revenue fund. This transaction also increased the beginning fund balance on the fund-level *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* in Other Special Revenue Funds in the same amount.

Additional changes on the *Combining Statement of Changes in Fiduciary Assets and Liabilities – Agency Funds* that did not affect the *Statement of Fiduciary Net Assets* are as follows:

- ♦ The beginning asset balance and the beginning liabilities balance for Other Agency Funds decreased by \$283,454,328. This is due to the identification of an agency fund with Treasury activity that had previously been included in the Other Agency Fund category. This adjustment appropriately reflects the activity and increases the beginning asset and the beginning liabilities balance of the Department of Treasury agency funds in the same amount.

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

**B. ACCOUNTING CHANGES**

Accounting changes due to fund category reclassifications required by Governmental Accounting Standards Board Statement No. 54 are summarized in the table below. The accounting change in the Internal Service Funds also requires an adjustment of \$99,039 to the Other Enterprises Funds on the *Statement of Cash Flows - Proprietary Funds*.

|  | Major Governmental Funds |                           |                     |                   |            |
|--|--------------------------|---------------------------|---------------------|-------------------|------------|
|  | General                  | State<br>Public<br>School | Capital<br>Projects | Water<br>Projects | Labor      |
| BEGINNING FUND BALANCE   | \$ 15,784                | \$ 32,675                 | \$ 385,059          | \$ 348,910        | \$ 193,556 |
| GASB 54 FUND RECLASSIFICATION ADJUSTMENTS                            |                          |                           |                     |                   |            |
| MAJOR FUNDS:   |                          |                           |                     |                   |            |
| General to General - Risk Management <sup>1</sup>                    | -                        | -                         | -                   | -                 | -          |
| Resource Management to General - Other Special Purpose               | 24,505                   | -                         | -                   | -                 | -          |
| Environment and Health Protection to General - Other Special Purpose | 56                       | -                         | -                   | -                 | -          |
| Other Special Revenue to General - Other Special Purpose             | 27,289                   | -                         | -                   | -                 | -          |
| Public School Buildings to General - Other Special Purpose           | 209,174                  | -                         | -                   | -                 | -          |
| State Public School to General - State Public School                 | 32,675                   | (32,675)                  | -                   | -                 | -          |
| Resource Management to Resource Extraction                           | -                        | -                         | -                   | -                 | -          |
| Other Special Revenue to Resource Extraction                         | -                        | -                         | -                   | -                 | -          |
| Regular Capital Projects to Special Capital Projects <sup>2</sup>    | -                        | -                         | -                   | -                 | -          |
| Water Projects to Resource Extraction                                | -                        | -                         | -                   | (348,910)         | -          |
| NONMAJOR FUNDS:  |                          |                           |                     |                   |            |
| Other Special Revenue to Labor                                       | -                        | -                         | -                   | -                 | 5,492      |
| Other Special Revenue to Gaming                                      | -                        | -                         | -                   | -                 | -          |
| Other Special Revenue to Tobacco Impact Mitigation                   | -                        | -                         | -                   | -                 | -          |
| Tobacco Impact Mitigation to Other Special Revenue                   | -                        | -                         | -                   | -                 | -          |
| Environment and Health Protection to Tobacco Impact Mitigation       | -                        | -                         | -                   | -                 | -          |
| Resource Extraction to State Lands Trust - Expendable                | -                        | -                         | -                   | -                 | -          |
| Other Special Revenue to Unclaimed Property                          | -                        | -                         | -                   | -                 | -          |
| Other Special Revenue to State Lands Trust                           | -                        | -                         | -                   | -                 | -          |
| Other Special Revenue to Other Internal Service Activities           | -                        | -                         | -                   | -                 | -          |
| TOTAL GASB 54 FUND RECLASSIFICATION ADJUSTMENTS                      | \$ 293,699               | (32,675)                  | -                   | (348,910)         | 5,492      |
| BEGINNING FUND BALANCE, RESTATED                                     | \$ 309,483               | -                         | 385,059             | -                 | 199,048    |

<sup>1</sup> - \$23,589 million was reclassified from the General Fund - General Purpose Revenues to the General Fund - Risk Management. This amount is shown as both a decrease and an increase to the General Fund column, which nets to zero.

<sup>2</sup> - \$323,428 million was reclassified from the Regular Capital Projects Fund to the Special Capital Projects Fund. This amount is shown as both a decrease and an increase to the Capital Projects Fund column, which nets to zero.

(Amounts in Thousands)

| Nonmajor Governmental Funds |                                 |                        |                        |   |                               |                       |                             |                         |   | Proprietary Funds |
|-----------------------------|---------------------------------|------------------------|------------------------|---|-------------------------------|-----------------------|-----------------------------|-------------------------|---|-------------------|
| Gaming                      | Tobacco<br>Impact<br>Mitigation | Resource<br>Extraction | Resource<br>Management | Environment<br>and Health<br>Protection | Public<br>School<br>Buildings | Unclaimed<br>Property | Other<br>Special<br>Revenue | State<br>Lands<br>Trust | Other Internal<br>Service<br>Activities |                   |
| \$ 92,231                   | \$ 178,040                      | \$ 519,520             | \$ 49,492              | \$ 110,757                              | \$ 209,174                    | \$ 119,627            | \$ 305,977                  | \$ 665,995              | \$ 339                                  |                   |
| -                           | -                               | -                      | -                      | -                                       | -                             | -                     | -                           | -                       | -                                       |                   |
| -                           | -                               | -                      | (24,505)               | -                                       | -                             | -                     | -                           | -                       | -                                       |                   |
| -                           | -                               | -                      | -                      | (56)                                    | -                             | -                     | -                           | -                       | -                                       |                   |
| -                           | -                               | -                      | -                      | -                                       | -                             | -                     | (27,289)                    | -                       | -                                       |                   |
| -                           | -                               | -                      | -                      | -                                       | (209,174)                     | -                     | -                           | -                       | -                                       |                   |
| -                           | -                               | -                      | -                      | -                                       | -                             | -                     | -                           | -                       | -                                       |                   |
| -                           | -                               | 6,983                  | (6,983)                | -                                       | -                             | -                     | -                           | -                       | -                                       |                   |
| -                           | -                               | 34,980                 | -                      | -                                       | -                             | -                     | (34,980)                    | -                       | -                                       |                   |
| -                           | -                               | -                      | -                      | -                                       | -                             | -                     | -                           | -                       | -                                       |                   |
| -                           | -                               | 348,910                | -                      | -                                       | -                             | -                     | -                           | -                       | -                                       |                   |
| -                           | -                               | -                      | -                      | -                                       | -                             | -                     | (5,492)                     | -                       | -                                       |                   |
| 29,910                      | -                               | -                      | -                      | -                                       | -                             | -                     | (29,910)                    | -                       | -                                       |                   |
| -                           | 240                             | -                      | -                      | -                                       | -                             | -                     | (240)                       | -                       | -                                       |                   |
| -                           | (193)                           | -                      | -                      | -                                       | -                             | -                     | 193                         | -                       | -                                       |                   |
| -                           | 949                             | -                      | -                      | (949)                                   | -                             | -                     | -                           | -                       | -                                       |                   |
| -                           | -                               | (84)                   | -                      | -                                       | -                             | -                     | -                           | 84                      | -                                       |                   |
| -                           | -                               | -                      | -                      | -                                       | -                             | 1,161                 | (1,161)                     | -                       | -                                       |                   |
| -                           | -                               | -                      | -                      | -                                       | -                             | -                     | (1,655)                     | 1,655                   | -                                       |                   |
| -                           | -                               | -                      | -                      | -                                       | -                             | -                     | (91)                        | -                       | 91                                      |                   |
| 29,910                      | 996                             | 390,789                | (31,488)               | (1,005)                                 | (209,174)                     | 1,161                 | (100,625)                   | 1,739                   | 91                                      |                   |
| 122,141                     | 179,036                         | 910,309                | 18,004                 | 109,752                                 | -                             | 120,788               | 205,352                     | 667,734                 | 430                                     |                   |

**NOTE 30 – FUND EQUITY**

On the *Balance Sheet – Governmental Funds*, the fund balance comprises the following (See Note 6I for additional details.):

(Amounts in Thousands)

|  | Restricted<br>Purposes | Committed<br>Purposes | Assigned<br>Purposes |
|--|------------------------|-----------------------|----------------------|
| <b>GENERAL FUND:</b>                     |                        |                       |                      |
| General Government                       | \$ 284,056             | \$ 32,437             | \$ 109               |
| Business, Community and Consumer Affairs | -                      | 1,114                 | -                    |
| Education                                | 223,389                | 1,682                 | -                    |
| Health and Rehabilitation                | -                      | 4,225                 | -                    |
| Justice                                  | 10,282                 | -                     | -                    |
| Natural Resources                        | 25,270                 | -                     | -                    |
| <b>TOTAL</b>                             | <b>\$ 542,997</b>      | <b>\$ 39,458</b>      | <b>\$ 109</b>        |
| <b>RESOURCE EXTRACTION:</b>              |                        |                       |                      |
| General Government                       | \$ -                   | \$ 329,193            | \$ -                 |
| Business, Community and Consumer Affairs | -                      | 83,547                | -                    |
| Education                                | -                      | 15,649                | -                    |
| Natural Resources                        | 13,792                 | 407,983               | -                    |
| <b>TOTAL</b>                             | <b>\$ 13,792</b>       | <b>\$ 836,372</b>     | <b>\$ -</b>          |
| <b>HIGHWAY USERS TAX:</b>                |                        |                       |                      |
| General Government                       | \$ 8,920               | \$ 5,684              | \$ -                 |
| Health and Rehabilitation                | -                      | 1,307                 | -                    |
| Justice                                  | -                      | 68                    | -                    |
| Transportation                           | 1,151,869              | 25,720                | -                    |
| <b>TOTAL</b>                             | <b>\$ 1,160,789</b>    | <b>\$ 32,779</b>      | <b>\$ -</b>          |
| <b>CAPITAL PROJECTS:</b>                 |                        |                       |                      |
| General Government                       | \$ 2,042               | \$ 31,026             | \$ -                 |
| Education                                | 22,129                 | 2,855                 | -                    |
| Justice                                  | 161,192                | -                     | -                    |
| <b>TOTAL</b>                             | <b>\$ 185,363</b>      | <b>\$ 33,881</b>      | <b>\$ -</b>          |
| <b>STATE EDUCATION:</b>                  |                        |                       |                      |
| Education                                | \$ 365,801             | \$ -                  | \$ -                 |
| <b>TOTAL</b>                             | <b>\$ 365,801</b>      | <b>\$ -</b>           | <b>\$ -</b>          |
| <b>OTHER GOVERNMENTAL FUNDS:</b>         |                        |                       |                      |
| General Government                       | \$ 35,421              | \$ 206,342            | \$ -                 |
| Business, Community and Consumer Affairs | 104,644                | 131,229               | -                    |
| Education                                | 63,855                 | 52,686                | -                    |
| Health and Rehabilitation                | 7,692                  | 86,500                | -                    |
| Justice                                  | 9,645                  | 109,122               | -                    |
| Natural Resources                        | 6,371                  | 22,118                | -                    |
| Social Assistance                        | -                      | 49,746                | -                    |
| Transportation                           | 34,715                 | -                     | -                    |
| <b>TOTAL</b>                             | <b>\$ 262,343</b>      | <b>\$ 657,743</b>     | <b>\$ -</b>          |



**NOTE 31 – STABILIZATION ARRANGEMENTS**

In accordance with C.R.S. 24-75-201.1(d) the State maintains a General Purpose Revenue Fund statutory reserve for purposes of budget stabilization. The reserve is calculated as four percent of General Purpose Revenue Fund appropriations. C.R.S. 24-75-201.5(1)(a) further requires the Governor to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. In conjunction with the Governor's actions to reduce expenditures, the legislature historically takes action to use the reserve and for Fiscal Year 2010-11 the legislature acted to set the reserve at 2.3 percent of General Purpose Revenue Fund appropriations, thereby allowing the appropriation of 1.7 percent of the reserve. Historically, the statutory reserve has only been expended during recessionary periods when other budget measures have been exhausted. As of June 30, 2011, there were no reserves on a GAAP basis; however, on a legal budgetary basis the reserve contained reserves at the 2.3 percent level of \$156.6 million. See further detail regarding GAAP versus budget in Note 6I.

Article XXIV Section 7 of the State Constitution created the Old Age Pension Stabilization Fund, which is reported as a component of the General Fund – Special Purpose Funds. The fund is maintained at \$5.0 million and is only accessible through appropriation for old age pension basic minimum awards. Historically, the reserves in the fund have not been accessed.

**NOTE 32 – MINIMUM FUND BALANCE POLICIES**

The appropriations process and statutory structure that governs State fiscal matters generally does not provide for the ability to set aside fund balances outside of those processes. However, in limited circumstances boards and committees have fiscal policy and/or rulemaking authority. The following minimum fund balances were established under this type of authority.

Pursuant to Rule 8.2003.D the Hospital Provider Fee Oversight Advisory Board has established a reserve of four percent of the estimated expenditures for the Hospital Provider Fee Cash Fund plus any interest accrued by the fund. For Fiscal Year 2010-11 the reserve was \$5.4 million. The reserve acts as a buffer to minimize the need for midyear fee increases in the event that expenditures are higher than estimated. The minimum fund balance is reported as Committed in the nonmajor Health and Environmental Protection Fund.

The Department of Local Affairs Impact Advisory Committee recommended that the DOLA Executive Director reserve \$3.0 million in both the Severance Tax Fund and the Federal Mineral Lease Fund to meet local community emergencies, such as failure of a water system. The Department adopted a formal policy that governs the use of these reserves. The minimum balance is reported as Committed in the Resource Extraction Fund.



**NOTE 33 – INTERFUND RECEIVABLES AND PAYABLES**

Individual interfund receivable and payable balances at June 30, 2011, were:

|                                     | General<br>Fund   | Resource<br>Extraction | Highway<br>Users<br>Tax | Capital<br>Projects | State<br>Education<br>Fund |
|-------------------------------------|-------------------|------------------------|-------------------------|---------------------|----------------------------|
| <b>SELLER'S/LENDER'S RECEIVABLE</b> |                   |                        |                         |                     |                            |
| MAJOR FUNDS:                        |                   |                        |                         |                     |                            |
| General Fund                        |                   |                        |                         |                     |                            |
| General Purpose                     | \$ 190            | \$ -                   | \$ 4,568                | \$ 1                | \$ -                       |
| Special Purpose                     | 68,135            | -                      | -                       | -                   | -                          |
| Resource Extraction                 | 1,213             | -                      | -                       | 112                 | -                          |
| Highway Users                       | 143               | -                      | -                       | 145                 | -                          |
| Capital Projects                    |                   |                        |                         |                     |                            |
| Regular Capital Projects            | -                 | -                      | -                       | -                   | -                          |
| State Education                     | 221,372           | -                      | -                       | -                   | -                          |
| Higher Education Institutions       | 3,275             | 895                    | 251                     | -                   | 31                         |
| NONMAJOR FUNDS:                     |                   |                        |                         |                     |                            |
| SPECIAL REVENUE FUNDS:              |                   |                        |                         |                     |                            |
| Labor                               | 158               | -                      | -                       | -                   | -                          |
| Tobacco Impact Mitigation           | -                 | -                      | -                       | -                   | -                          |
| Resource Management                 | -                 | -                      | -                       | -                   | -                          |
| Environment and Health Protection   | 59                | -                      | 31                      | -                   | -                          |
| Other Special Revenue               | 61                | -                      | -                       | -                   | -                          |
| PERMANENT FUNDS:                    |                   |                        |                         |                     |                            |
| State Lands Trust Expendable        | -                 | -                      | -                       | -                   | -                          |
| ENTERPRISE FUNDS:                   |                   |                        |                         |                     |                            |
| CollegeInvest                       | 24                | -                      | -                       | -                   | -                          |
| Wildlife                            | -                 | -                      | -                       | -                   | -                          |
| Correctional Industries             | -                 | -                      | -                       | -                   | -                          |
| State Nursing Homes                 | 1,414             | -                      | -                       | -                   | -                          |
| INTERNAL SERVICE FUNDS:             |                   |                        |                         |                     |                            |
| Central Services                    | -                 | -                      | -                       | -                   | -                          |
| Information Technology              | 1,988             | -                      | -                       | 315                 | -                          |
| Capitol Complex                     | 15                | -                      | -                       | -                   | -                          |
| FIDUCIARY FUNDS:                    |                   |                        |                         |                     |                            |
| Group Benefit Plans                 | 19,792            | -                      | 4                       | -                   | -                          |
| College Savings Plan                | -                 | -                      | -                       | -                   | -                          |
| Other Fiduciary                     | -                 | -                      | -                       | -                   | -                          |
| <b>TOTAL</b>                        | <b>\$ 317,839</b> | <b>\$ 895</b>          | <b>\$ 4,854</b>         | <b>\$ 573</b>       | <b>\$ 31</b>               |

(Amounts in Thousands)

**BUYER'S/BORROWER'S PAYABLE**

| Higher Education Institutions | Unemployment Insurance | State Lottery | All Other Funds | Total      |
|-------------------------------|------------------------|---------------|-----------------|------------|
| \$ 468                        | \$ 1,720               | \$ 9          | \$ 32,968       | \$ 39,924  |
| -                             | -                      | 13,469        | 3,478           | 85,082     |
| -                             | -                      | -             | -               | 1,325      |
| -                             | -                      | -             | -               | 288        |
| 13,711                        | -                      | -             | -               | 13,711     |
| -                             | -                      | -             | -               | 221,372    |
| -                             | -                      | -             | 5,333           | 9,785      |
| -                             | -                      | -             | -               | 158        |
| -                             | -                      | -             | 3,864           | 3,864      |
| -                             | -                      | -             | 124             | 124        |
| -                             | -                      | -             | -               | 90         |
| 1                             | -                      | -             | 1,548           | 1,610      |
| -                             | -                      | -             | 3,478           | 3,478      |
| -                             | -                      | -             | -               | 24         |
| -                             | -                      | -             | 62              | 62         |
| 2,956                         | -                      | -             | -               | 2,956      |
| -                             | -                      | -             | -               | 1,414      |
| 5                             | -                      | -             | -               | 5          |
| -                             | -                      | -             | -               | 2,303      |
| -                             | -                      | -             | -               | 15         |
| 974                           | -                      | -             | -               | 20,770     |
| -                             | -                      | -             | 4,766           | 4,766      |
| -                             | -                      | 12,144        | -               | 12,144     |
| \$ 18,115                     | \$ 1,720               | \$ 25,622     | \$ 55,621       | \$ 425,270 |

Except for the transfer of excess General Fund Surplus discussed below; all of the material receivables and related payables shown in the schedule on the previous two pages are the result of normal operating activities where the receivables and payables were not liquidated before the year-end close of the State's accounting system. This represents timing differences between when generally accepted accounting principles require transactions to be recognized and when cash is actually distributed.

The Special Purpose General Fund receivable of \$68.1 million includes \$67.5 million for the Public School Fund (Special Purpose General Fund) payable from the General Purpose Revenue Fund. This is a portion of the excess General Fund Surplus transfer for Fiscal Year 2010-11 required in accordance with CRS 24-75-201.1. The cash transfer will occur upon the issuance of the State's Comprehensive Annual Financial Report. The State Education Fund receivable of \$221.4 million represents the remainder of the General Fund Surplus transfer referenced in the preceding paragraph, also payable from the General Purpose Revenue Fund.

The Group Benefits Plan Fund receivable of \$19.8 million from the General Purpose Revenue Fund primarily represents the health insurance benefits premium portion of payroll for services provided in the fiscal year that is required by statute to be paid in the next fiscal year.

The Capital Projects Fund receivable of \$13.7 million represents the required cash contributions from the University of Colorado for its share of appropriated capital project vendor payables that were outstanding at fiscal year end.

The Special Purpose General Fund receivable of \$13.5 million was recorded by the Conservation Trust Fund (a Special Purpose General Fund) and the Other Fiduciary Fund receivable of \$12.1 million was recorded by the State Treasurer for the Great Outdoors Colorado Fund. Both of these are statutory distributions of the Lottery net profits.

The General Purpose Revenue Fund receivable of \$33.0 million from All Other Funds includes \$20.4 million of receivables from the Limited Gaming Fund and \$9.4 million from various cash funds to support incurred Medicaid expenditures.



**NOTE 34 – TRANSFERS BETWEEN FUNDS**

Transfers between funds for the fiscal year ended June 30, 2011, were as follows:

|                                     | General<br>Fund     | Resource<br>Extraction | Highway<br>Users<br>Tax |
|-------------------------------------|---------------------|------------------------|-------------------------|
| <b>TRANSFER-OUT FUND</b>            |                     |                        |                         |
| <b>MAJOR FUNDS:</b>                 |                     |                        |                         |
| General Fund                        |                     |                        |                         |
| General Purpose                     | \$ 2,885,606        | \$ -                   | \$ -                    |
| Special Purpose                     | 53,995              | -                      | -                       |
| Resource Extraction                 | 189,499             | -                      | -                       |
| Highway Users Tax                   | 58,114              | -                      | -                       |
| Capital Projects                    |                     |                        |                         |
| Regular Capital Projects            | -                   | -                      | 500                     |
| Special Capital Projects            | 81                  | -                      | -                       |
| State Education                     | 1,192               | -                      | -                       |
| Higher Education Institutions       | 7,601               | -                      | -                       |
| Unemployment                        | 2,205               | -                      | -                       |
| Lottery                             | 56,615              | -                      | -                       |
| <b>NONMAJOR FUNDS:</b>              |                     |                        |                         |
| <b>SPECIAL REVENUE FUNDS:</b>       |                     |                        |                         |
| Labor                               | 38,610              | -                      | -                       |
| Gaming                              | 23,926              | -                      | -                       |
| Tobacco Impact Mitigation           | 201,511             | -                      | -                       |
| Resource Management                 | 20,760              | 2                      | -                       |
| Environment and Health Protection   | 472,375             | -                      | -                       |
| Unclaimed Property                  | 2,031               | -                      | -                       |
| Other Special Revenue               | 70,180              | -                      | -                       |
| <b>PERMANENT FUNDS:</b>             |                     |                        |                         |
| State Lands Trust Nonexpendable     | -                   | -                      | -                       |
| State Lands Trust Expendable        | 137,852             | -                      | -                       |
| Other Permanent Trust Nonexpendable | -                   | -                      | -                       |
| <b>ENTERPRISE FUNDS:</b>            |                     |                        |                         |
| CollegeInvest                       | 15,494              | -                      | -                       |
| Wildlife                            | 7,268               | 296                    | -                       |
| College Assist                      | 115                 | -                      | -                       |
| State Fair                          | 143                 | -                      | -                       |
| Correctional Industries             | 330                 | -                      | -                       |
| State Nursing Homes                 | 1,765               | -                      | -                       |
| Prison Canteens                     | 50                  | -                      | -                       |
| Petroleum Storage                   | 905                 | -                      | -                       |
| Transportation Enterprise           | -                   | -                      | 905                     |
| Other Enterprise                    | 240                 | -                      | -                       |
| <b>INTERNAL SERVICE FUNDS:</b>      |                     |                        |                         |
| Central Services                    | 1,567               | -                      | -                       |
| Information Technology              | 1,193               | -                      | -                       |
| Telecommunications                  | 363                 | -                      | -                       |
| Capitol Complex                     | 879                 | -                      | -                       |
| Public Safety                       | 16                  | -                      | -                       |
| Administrative Courts               | 258                 | -                      | -                       |
| Other Internal Service              | 343                 | -                      | -                       |
| <b>FIDUCIARY FUNDS:</b>             |                     |                        |                         |
| Group Benefit Plans                 | 250                 | -                      | -                       |
| Other Fiduciary                     | 92                  | -                      | -                       |
| <b>TOTAL</b>                        | <b>\$ 4,253,424</b> | <b>\$ 298</b>          | <b>\$ 1,405</b>         |

(Amounts in Thousands)

**TRANSFER-IN FUND**

|    | Capital<br>Projects | State<br>Education | Higher<br>Education<br>Institutions | All<br>Other<br>Funds | TOTAL        |
|----|---------------------|--------------------|-------------------------------------|-----------------------|--------------|
| \$ | 11,985              | \$ 221,372         | \$ 135,446                          | \$ 21,281             | \$ 3,275,690 |
|    | 6,193               | 42                 | -                                   | 5,943                 | 66,173       |
|    | 723                 | -                  | 12,386                              | 6,451                 | 209,059      |
|    | 2,185               | -                  | -                                   | 169,841               | 230,140      |
|    | 2,870               | -                  | 10,093                              | 8,048                 | 21,511       |
|    | 7,293               | -                  | -                                   | 21,073                | 28,447       |
|    | -                   | -                  | 5,503                               | -                     | 6,695        |
|    | -                   | -                  | -                                   | -                     | 7,601        |
|    | -                   | -                  | -                                   | -                     | 2,205        |
|    | -                   | -                  | -                                   | 1,256                 | 57,871       |
|    | 1,578               | -                  | -                                   | -                     | 40,188       |
|    | 6,623               | -                  | 5,582                               | 3,317                 | 39,448       |
|    | 9,896               | -                  | 15,674                              | 2,510                 | 229,591      |
|    | 4,913               | -                  | -                                   | 76                    | 25,751       |
|    | -                   | -                  | -                                   | 6,117                 | 478,492      |
|    | -                   | -                  | -                                   | -                     | 2,031        |
|    | 713                 | 68                 | -                                   | 219                   | 71,180       |
|    | 1,797               | -                  | 792                                 | 498                   | 3,087        |
|    | 406                 | -                  | 103                                 | 11                    | 138,372      |
|    | -                   | -                  | -                                   | 15                    | 15           |
|    | -                   | -                  | -                                   | -                     | 15,494       |
|    | -                   | -                  | -                                   | 225                   | 7,789        |
|    | -                   | -                  | -                                   | -                     | 115          |
|    | -                   | -                  | -                                   | -                     | 143          |
|    | -                   | -                  | -                                   | -                     | 330          |
|    | -                   | -                  | -                                   | -                     | 1,765        |
|    | 1,897               | -                  | -                                   | -                     | 1,947        |
|    | -                   | -                  | -                                   | -                     | 905          |
|    | -                   | -                  | -                                   | -                     | 905          |
|    | -                   | -                  | -                                   | -                     | 240          |
|    | -                   | -                  | -                                   | -                     | 1,567        |
|    | -                   | -                  | -                                   | -                     | 1,193        |
|    | -                   | -                  | -                                   | 4,406                 | 4,769        |
|    | -                   | -                  | -                                   | 457                   | 1,336        |
|    | -                   | -                  | -                                   | -                     | 16           |
|    | -                   | -                  | -                                   | -                     | 258          |
|    | -                   | -                  | -                                   | -                     | 343          |
|    | -                   | -                  | -                                   | -                     | 250          |
|    | -                   | -                  | -                                   | -                     | 92           |
| \$ | 59,072              | \$ 221,482         | \$ 185,579                          | \$ 251,744            | \$ 4,973,004 |

In the normal course of events, the Legislature appropriates a large number of transfers between funds exercising its responsibility to allocate the State's resources to programs shown in the above schedule. The most significant of these are the transfers-out of the General Purpose Revenue Fund and into the State Public School Fund of \$2,797.8 million (a Special Purpose General Fund), and into the Higher Education Institutions of \$135.4 million (primarily for student financial aid, occupational education, and job training).

In response to continuing fiscal stress caused by revenue shortfalls, the Governor and the Legislature authorized significant nonroutine transfers totaling \$158.1 million from various funds to augment the General Purpose Revenue Fund, including transfers from various major and nonmajor funds, as follows:

Resource Extraction (major governmental fund)

- \$70.0 million from the Severance Tax Fund
- \$16.0 million from the Base Account of the Severance Tax Trust Fund
- \$15.0 million from the Mineral Leasing Fund
- \$7.0 million from the Higher Education Federal Mineral Lease Revenues Fund

Tobacco Mitigation Impact (nonmajor special revenue fund)

- \$6.7 million from the Short-Term Innovative Health Program Grant Fund

Labor (nonmajor special revenue fund)

- \$10.0 million from the Major Medical Fund

Nonmajor special revenue funds

- \$33.4 million from 23 funds where individual transfer amounts did not exceed \$5.0 million

During the 2011 legislative session Senate Bill 11-230 was enacted to provide for the distribution of General Fund Surplus. Of the General Fund Surplus of \$288.9 million, \$67.5 million was transferred to the Public School Fund, a Special Purpose General Fund, and \$221.4 million was transferred to the State Education Fund, a major Governmental Fund.

In addition to these General Purpose Revenue Fund transfers, other individually significant routine transfers include the following:

Transfers-out from the special-purpose funds within the General Fund primarily comprise \$43.4 million in transfers from the Public School Fund to the Charter School Institute Fund.

The Highway Users Tax Fund transfer-out to the General Purpose Revenue Fund includes \$47.4 million transferred to the Department of Revenue and \$6.7 million to the Department of Public Safety to support programs that generate revenue for or that provide services to the Highway Users Tax Fund.

The Highway Users Tax Fund transfer-out to All Other Funds includes \$169.1 million to the Debt Service Fund to pay debt service on Transportation Revenue Anticipation Notes issued by the Department of Transportation.

The Lottery transfer-out to the Special Purpose General Fund primarily comprises \$45.3 million to the Conservation Trust Fund in the Department of Local Affairs as a statutory distribution of Lottery net proceeds.

The Labor transfer-out to the General Purpose Revenue Fund includes \$25.3 million from the Employment Support Fund to fund employment related activities at the Department of Labor and Employment.

The Tobacco Impact Mitigation Fund transfers-out to the General Purpose Revenue Fund includes \$173.9 million in transfers to the Department of Health Care Policy and Financing for the purchase of medical services.

The Resource Extraction transfer-out to the Special Purpose General Fund includes a \$65.0 million transfer from the Mineral Leasing Fund to the Department of Education State Public School Fund.

The Environment and Health Protection transfer-out to the General Purpose Revenue Fund includes \$461.6 million in transfers to the Department of Health Care Policy and Financing primarily from the Hospital Provider Fee Cash Fund (\$424.2 million) and the Medicaid Nursing Facility Cash Fund (\$30.8 million).

Transfers from the Other Special Revenue to the General Purpose Revenue Fund also include approximately \$61.3 million of legislatively mandated transfers to fund programs in agencies that operate primarily in the General Purpose Revenue Fund that are in addition to appropriated indirect cost transfers.

The State Lands Trust Expendable transfer-out to the General Fund includes \$137.5 million for the State Public School Fund (a Special Purpose General Fund) related to distributions to school districts and charter schools.



**NOTE 35 – UNUSUAL OR INFREQUENT TRANSACTIONS**

The government-wide *Statement of Activities* shows Special and/or Extraordinary Items that comprise the following:

Fort Lewis State College sold 357 acres of land to the City of Durango for \$1,650,000 less closing costs. The net proceeds of \$1,492,813 were deposited in a quasi-endowment. The event was considered a special item because it was within the control of management and infrequent in occurrence.

**NOTE 36 – DONOR RESTRICTED ENDOWMENTS**

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

The University of Colorado reported net appreciation on endowment investments of \$8.4 million that was available for spending. The university reported the related net assets in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Assets – Proprietary Funds*. The amount of earnings and net appreciation that is available for spending is based on a spending rate set annually by the Regents of the University of Colorado. In general, only realized gains can be expended; however, unrealized gains on certain endowment funds may also be expended.

Colorado State University reported \$12,204 of net appreciation on its donor-restricted endowments, and the full amount was available for spending. The university reported the related net assets in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Assets – Proprietary Funds*. The President of the university authorizes the expenditure of investment income from endowment earnings, and the university’s Board of Governors is notified of those expenditures.

Colorado State University reported \$1.56 million of net appreciation on its donor-restricted endowments held by its foundation and the full amount was available for spending. The university reported a portion of the related net assets in Restricted for Permanent Funds and Endowments – Nonexpendable and a portion of the related net assets in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Assets – Proprietary Funds*. The payout policy of the Colorado State University Foundation governs expenditure of these funds. The policy assumes a 10 percent return on investment, a 4 to 5 percent pay out, a management fee of 1 to 2 percent, and a return to principal sufficient to preserve the purchasing power of the endowment.

The University of Northern Colorado reported \$297,272 of net appreciation on its donor-restricted endowments, and the full amount was available for spending. The university reported the related net assets in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Assets – Proprietary Funds*.

**NOTE 37 – PLEDGED REVENUE**

Various institutions of higher education and the Highway Users Tax Fund have issued bonds, notes, and/or Certificates of Participation (COPs) for the purchase of equipment, and the construction of facilities and infrastructure. Specific user revenues are pledged for the payments of interest and future retirement of the obligations. In Fiscal Year 2010-11, the following pledges were in place:

The Department of Transportation pledged \$168.0 million of federal grants under agreement with the Federal Highway Administration and certain motor vehicle fees and taxes of the Highway Users Tax Fund to meet the debt service commitment on the agency's Tax Revenue Anticipation Notes. The debt was originally issued in Fiscal Year 1999-00 to finance the reconstruction of a portion of a major interstate highway through Denver and other infrastructure projects across the State, and it has a final maturity date of Fiscal Year 2016-17. The pledged revenue represents approximately 14.4 percent of the total revenue stream, and \$970.3 million of the pledge commitment remains outstanding.

The Department of Transportation Statewide Bridge Enterprise pledged \$74.3 million of federal highway funds, Build America Bonds, and surcharges to meet the current year interest payments on debt issued for construction activities related to the Funding Advancement for Surface Transportation and Economic Recovery (FASTER) Bridge Program. The debt was originally issued in Fiscal Year 2010-11, and has a final maturity date of Fiscal Year 2040-41. The pledged revenue represents 100 percent of the revenue stream, and \$716.4 million of the pledge commitment remains outstanding.

Higher Education Institutions have pledged auxiliary fees primarily related to student housing rent, and in some cases tuition, to meet the debt service commitment of their various bond issues. The debt issues involved had an earliest origination date in Fiscal Year 1995-96 and furthest maturity date of Fiscal Year 2044-45. In some instances the gross revenue of the activity is pledged and in other instances the net available revenue is pledged. Total pledged revenue of the Higher Education Institutions is approximately \$628.3 million. Individually significant Higher Education Institution pledges include:

- \$273.6 million pledged by the University of Colorado to secure \$87.0 million of current principal and interest on debt issued to finance the construction of enterprise facilities and to refund prior enterprise debt. The related debt was originally issued in Fiscal Year 1995-96 and has a final maturity date of Fiscal Year 2037-38. The pledged revenue represents approximately 50.4 percent of the revenue stream, and \$1.78 billion of the pledge (principal and interest) remains outstanding.
- \$185.3 million pledged by Colorado State University to secure \$25.7 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain recreation, research, athletic, and academic facilities. The related debt was originally issued in Fiscal Year 2002-03 and has a final maturity date of Fiscal Year 2039-40. The pledged revenue represents 100 percent of the total revenue stream, and \$800.4 million of the pledge (principal and interest) remains outstanding.
- \$35.1 million pledged by the Colorado School of Mines to secure \$19.6 million of current principal and interest on debt issued to finance refunding of previous debt and for capital improvements. The related debt was originally issued in Fiscal Year 1998-99 and has a final maturity date of Fiscal Year 2040-41. The pledged revenue represents approximately 87.4 percent of the total revenue stream, and \$340.6 million of the pledge (principal and interest) remains outstanding.
- \$24.3 million pledged by Metropolitan State College of Denver to secure \$3.6 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain academic facilities. The related debt was originally issued in Fiscal Year 2009-10 and has a final maturity date of Fiscal Year 2040-41. The pledged revenue represents 100 percent of the total revenue stream, and \$131.4 million of the pledge (principal and interest) remains outstanding.
- \$15.9 million pledged by Colorado Mesa University to secure \$6.5 million of current principal and interest on debt issued to construct auxiliary facilities. The related debt was originally issued in Fiscal Year 2002-03 and has a final maturity date of Fiscal Year 2041-42. The pledged revenue represents approximately 52.8 percent of the revenue stream, and \$286.3 million of the pledge (principal and interest) remains outstanding.
- \$15.1 million pledged by the Auraria Higher Education Center to secure \$5.5 million of current principal and interest on debt issued to renovate the Student Union and to build parking structures. The related debt was originally issued in Fiscal Year 2002-03 and has a final maturity date of Fiscal Year 2028-29. The pledged revenue represents 100 percent of the total revenue stream, and \$90.7 million of the pledge (principal and interest) remains outstanding.

- \$23.8 million pledged by the University of Northern Colorado to secure \$9.3 million of current principal and interest on debt issued to finance refunding of previous debt and for improvements of auxiliary facilities. The related debt was originally issued in Fiscal Year 2000-01 and has a final maturity date of Fiscal Year 2039-40. The pledged revenue represents 37.1 percent of the total auxiliary and student fee revenue streams and also represents 10.0 percent of gross tuition revenues. \$235.7 million of the pledge (principal and interest) remains outstanding.
- \$7.7 million pledged by Colorado State University – Pueblo to secure \$3.3 million of current principal and interest on debt issued to finance construction, remodeling, and acquisition of the Student Center, recreation facilities and student housing facilities. The related debt was originally issued in Fiscal Year 2003-04 and has a final maturity date of Fiscal Year 2038-39. The pledged revenue represents 47.2 percent of the revenue stream, and \$129.1 million of the pledge (principal and interest) remains outstanding.

Revenue available to meet debt service requirements is shown in the following table:

(Amounts In Thousands)

| Agency Name                   | Gross Revenue       | Direct Operating Expense | Available Net Revenue | Debt Service Requirements |                   |                   |
|-------------------------------|---------------------|--------------------------|-----------------------|---------------------------|-------------------|-------------------|
|                               |                     |                          |                       | Principal                 | Interest          | Total             |
| Department of Transportation  | \$ 1,162,586        | \$ (994,596)             | \$ 167,990            | \$ 119,385                | \$ 48,605         | \$ 167,990        |
| Higher Education Institutions | 1,025,079           | (487,781)                | 537,298               | 64,345                    | 110,488           | 174,833           |
| Statewide Bridge Enterprise   | 74,280              | -                        | 74,280                | -                         | 8,408             | 8,408             |
|                               | <u>\$ 2,261,945</u> | <u>\$ (1,482,377)</u>    | <u>\$ 779,568</u>     | <u>\$ 183,730</u>         | <u>\$ 167,501</u> | <u>\$ 351,231</u> |

**NOTE 38 – SEGMENT INFORMATION**

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

University Physicians Incorporated (UPI) is a not-for-profit entity that performs the billing, collection, and disbursement function for professional services provided by the University of Colorado Denver. UPI is also a component unit of the State that is blended into the Higher Education Institutions Fund. In addition, UPI provides its services under contracts with the University of Colorado Hospital Authority (UCHA), a discretely presented component unit of the State.

The Auraria Higher Education Center’s parking segment charges students, faculty, and staff fees for the use of parking lots and structures. The center’s student facilities segment charges fees to students for use of its facilities. This segment is part of the Higher Education Institutions Enterprise.

The following page presents condensed financial information for the State’s segments.

**CONDENSED STATEMENT OF NET ASSETS  
JUNE 30, 2011**

| (DOLLARS IN THOUSANDS)                          | UNIVERSITY<br>OF COLORADO                | AURARIA HIGHER<br>EDUCATION CENTER |                       |
|---|--|------------------------------------|-----------------------|
|   | UNIVERSITY<br>PHYSICIANS<br>INCORPORATED | PARKING<br>FACILITIES              | STUDENT<br>FACILITIES |
| <b>ASSETS:</b>                                  |  |                                    |                       |
| Current Assets                                  | \$ 129,866                               | \$ 9,058                           | \$ 10,671             |
| Other Assets                                    | 82,211                                   | 7,188                              | 362                   |
| Capital Assets                                  | 45,207                                   | 35,127                             | 30,839                |
| <b>Total Assets</b>                             | <b>257,284</b>                           | <b>51,373</b>                      | <b>41,872</b>         |
| <b>LIABILITIES:</b>                             |  |                                    |                       |
| Current Liabilities                             | 30,281                                   | 3,781                              | 4,549                 |
| Noncurrent Liabilities                          | 16,886                                   | 30,147                             | 28,111                |
| <b>Total Liabilities</b>                        | <b>47,167</b>                            | <b>33,928</b>                      | <b>32,660</b>         |
| <b>NET ASSETS:</b>                              |  |                                    |                       |
| Invested in Capital Assets, Net of Related Debt | 27,579                                   | 2,214                              | 1,672                 |
| Other Restricted Net Assets                     | -  | 6,621                              | 401                   |
| Unrestricted                                    | 182,538                                  | 8,610                              | 7,139                 |
| <b>Total Net Assets</b>                         | <b>\$ 210,117</b>                        | <b>\$ 17,445</b>                   | <b>\$ 9,212</b>       |

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

|   |                   |                  |                 |
|---|-------------------|------------------|-----------------|
| <b>OPERATING REVENUES:</b>                        |                   |                  |                 |
| Tuition and Fees                                  | \$ -              | \$ -             | \$ 5,902        |
| Sales of Goods and Services                       | 415,591           | 8,904            | 23,792          |
| Other   | -                 | -                | 58              |
| <b>Total Operating Revenues</b>                   | <b>415,591</b>    | <b>8,904</b>     | <b>29,752</b>   |
| <b>OPERATING EXPENSES:</b>                        |                   |                  |                 |
| Depreciation                                      | 2,912             | 1,732            | 2,040           |
| Other   | 398,367           | 4,380            | 23,583          |
| <b>Total Operating Expenses</b>                   | <b>401,279</b>    | <b>6,112</b>     | <b>25,623</b>   |
| <b>OPERATING INCOME (LOSS)</b>                    | <b>14,312</b>     | <b>2,792</b>     | <b>4,129</b>    |
| <b>NONOPERATING REVENUES AND (EXPENSES):</b>      |                   |                  |                 |
| Investment Income                                 | 4,979             | 304              | 124             |
| Other Nonoperating Revenues                       | 1,542             | -                | -               |
| Debt Service                                      | (443)             | (1,662)          | (1,311)         |
| Other Nonoperating Expenses                       | (8,613)           | -                | -               |
| <b>Total Nonoperating Revenues(Expenses)</b>      | <b>(2,535)</b>    | <b>(1,358)</b>   | <b>(1,187)</b>  |
| <b>CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:</b> |                   |                  |                 |
| Transfers-In                                      | -                 | (723)            | (3,079)         |
| <b>Total Contributions, Transfers, and Other</b>  | <b>-</b>          | <b>(723)</b>     | <b>(3,079)</b>  |
| <b>CHANGE IN NET ASSETS</b>                       | <b>11,777</b>     | <b>711</b>       | <b>(137)</b>    |
| <b>TOTAL NET ASSETS - FISCAL YEAR BEGINNING</b>   | <b>198,340</b>    | <b>16,734</b>    | <b>9,349</b>    |
| <b>TOTAL NET ASSETS - FISCAL YEAR ENDING</b>      | <b>\$ 210,117</b> | <b>\$ 17,445</b> | <b>\$ 9,212</b> |

**CONDENSED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2011**

|   |                  |                 |                 |
|---|------------------|-----------------|-----------------|
| <b>NET CASH PROVIDED (USED) BY:</b>                 |                  |                 |                 |
| Operating Activities                                | \$ 19,058        | \$ 3,807        | \$ 7,031        |
| Noncapital Financing Activities                     | (8,613)          | (2,625)         | (2,943)         |
| Capital and Related Financing Activities            | (12,647)         | 1,278           | (3,041)         |
| Investing Activities                                | 22,471           | -               | 685             |
| <b>NET INCREASE (DECR.) IN CASH AND POOLED CASH</b> | <b>20,269</b>    | <b>2,460</b>    | <b>1,732</b>    |
| <b>CASH AND POOLED CASH, FISCAL YEAR BEGINNING</b>  | <b>46,171</b>    | <b>6,419</b>    | <b>5,542</b>    |
| <b>CASH AND POOLED CASH, FISCAL YEAR ENDING</b>     | <b>\$ 66,440</b> | <b>\$ 8,879</b> | <b>\$ 7,274</b> |

**NOTE 39 – COMPONENT UNITS**

The State reports fourteen component units under the requirements of Governmental Accounting Standards Board (GASB) Statements No. 14 – The Financial Reporting Entity and No. 39 – Determining Whether Certain Organizations Are Component Units. The State’s component units are separated into major, and nonmajor below. Financial statements for the major component units are presented in the Basic Financial Statements and for the nonmajor component units in the Supplementary Section of the Comprehensive Annual Financial Report.

**A. MAJOR COMPONENT UNITS**

University Hospital is a nonsectarian, general acute care regional hospital, licensed for 407 beds with five outpatient primary care clinics, and six specialty care clinics operated by the University of Colorado Hospital Authority (UCHA). It includes the Anschutz Centers for Advanced Medicine, and is the teaching hospital of the University of Colorado Denver (UCD), a State institution of higher education. The hospital’s mission is to advance healthcare for patients and their families through healing, discovery, and education. UCHA is exempt from federal income tax under Internal Revenue Code Section 115 (as a governmental entity) and under Section 501(c)(3) as a not-for-profit entity.

The Colorado Water Resources and Power Development Authority’s purpose is to initiate, acquire, construct, maintain, repair, and operate, or cause to be operated, projects for the protection, preservation, conservation, upgrading, development, and utilization of the water resources of the State. The authority is authorized to issue bonds, notes, or other obligations which constitute its debt and not the debt of the State of Colorado. The authority’s primary revenue sources are investment income on bond proceeds, interest on loans made to local governments from bond proceeds, administrative charges on the loans, and EPA grants. The authority paid the State \$6.9 million during 2010 for services provided by two State departments.

The University of Colorado Foundation was incorporated in 1967 and is authorized by the Board of Regents of the University of Colorado to solicit, receive, hold, invest, and transfer funds for the benefit of the University of Colorado. The foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Service Code and is exempt from income tax on related income. In Fiscal Year 2010-11, it received \$5.1 million of fund raising fee revenue from the University of Colorado under an annually renewable Agreement for Development Services.

For the fiscal year ended June 30, 2011, the foundation distributed \$98.4 million of gifts and income to or for the benefit of the University of Colorado.

The Colorado State University Foundation is a not-for-profit tax-exempt organization, as described in Section 501(c)(3) of the Internal Revenue Service Code, and was incorporated in 1970 to assist in the promotion, development, and enhancement of the facilities and educational programs and opportunities of the faculty, students, and alumni of Colorado State University. This is accomplished through receiving, managing, and investing gifts. Principal or income from these gifts and contributions is used for charitable, scientific, literary, or educational purposes, which will directly or indirectly aid and benefit Colorado State University. During Fiscal Year 2010-11, the foundation transferred \$23.8 million to the University.

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

The University of Northern Colorado Foundation is a tax-exempt organization incorporated in 1996 to provide financial resource development and support to the University of Northern Colorado. The foundation’s primary revenue is derived from exempt contributions and investment income. During Fiscal Year 2010-11, the foundation granted \$4.5 million to the university.

**B. NONMAJOR COMPONENT UNITS**

The Denver Metropolitan Major League Baseball Stadium District currently includes all or part of the seven counties in the Denver metro area. The district was created for the purpose of acquiring, constructing, and operating a major league baseball stadium. To accomplish this purpose, the General Assembly authorized the district to levy a sales tax of one-tenth of one percent throughout the district for a period not to exceed 20 years. However, the district discontinued the sales tax levy on January 1, 2001, after it defeased all outstanding debt.

CoverColorado is a not-for-profit public entity created to provide access to health insurance for those Colorado residents who are unable to obtain health insurance, or are unable to obtain health insurance except at prohibitive rates or with restrictive exclusions. Legislation enacted in 2001 authorized the CoverColorado board of directors to assess a special fee against insurers for the financial solvency of the program. In March 2010 with the passage of the Patient Protection and Affordable Care Act, the need for high risk insurance pools such as CoverColorado will be eliminated. CoverColorado will likely only exist until December 31, 2013.

The Venture Capital Authority (VCA) was established in the 2004 legislative session as a means to create new business opportunities in the State and stimulate economic growth by making seed and early-stage venture capital funds available to small businesses throughout Colorado. The legislation allocated the authority \$50.0 million of insurance-premium tax credits, which it subsequently sold to insurance companies. The VCA deferred the revenue related to sale and recognizes it as the insurance companies apply the credits over a ten-year period. The related revenue is reported as Gifts and Donations on the *Statement of Revenues, Expenses, and Changes in Net Assets - Component Units* to reflect the contribution of capital by the State.

In 2005, the authority created Colorado Fund I, LP with a portion of the proceeds from the sale of premium tax credits. The VCA has committed to providing up to \$21.8 million to Colorado Fund I, LP thru June 2015 (unless otherwise terminated) for investment in businesses meeting criteria established by the authority, specifically including businesses in the life sciences, information technology, agritechology and medical device industries, and retail. As of December 31, 2010, the VCA has contributed approximately \$19.0 million or 87 percent of its total funding commitment to Colorado Fund I, LP.

In 2010 the authority created Colorado Fund II, LP and has committed to providing up to \$25.4 million over the term of the fund (through December 2019 unless otherwise terminated). As of December 31, 2010, the VCA has contributed approximately \$1.4 million or 5 percent of its total funding commitment to Colorado Fund II, LP.

The Renewable Energy Authority was created during the 2006 legislative session to direct the allocation of State matching funds for energy-related research funding from federal agencies and other public and private entities. The allocation of moneys is directed by the Renewable Energy Collaboratory which comprises the U.S. Department of Energy's National Renewable Energy Laboratory, the Colorado School of Mines, Colorado State University, and the University of Colorado.

The enabling legislation allocated the authority \$2.0 million in each of Fiscal Years 2006-07 through 2008-09 for this purpose. Due to the economic downturn however, only \$1.2 million was appropriated in 2009. The authority has provided a total of \$3.5 million in matching funds to the research centers as of December 31, 2010. The authority has until 2012 to demonstrate that at least \$6 million in grants and contracts for renewable energy research in Colorado has been secured through the availability of the matching funds.

The Higher Education Competitive Research Authority was created during the 2007 legislative session to provide matching funds for inclusion in grant proposals made by institutions of higher education for federally sponsored research projects. The authority received all of its funding for Fiscal Year 2010-11 through an appropriation to the Department of Higher Education. As of June 30, 2011, the authority has made commitments to provide matching funds for eleven research proposals, six of which, totaling \$6.4 million, are currently funded.

The Statewide Internet Portal Authority was formed in the 2004 legislative session to provide a single point of access to electronic government information. The authority has partnered with Colorado Interactive, a subsidiary of NIC, Inc., to design, implement, and maintain a statewide portal to provide an alternate way to transact business with State and local governments. The agreement with Colorado Interactive provides for fees and charges assessed to the users of the portal to be passed on to the participating governmental agencies, as well as a base fee and percentage of revenue to fund the authority's operations. The agreement expires May 2014. In 2010 the authority entered into a five-year agreement with Tempus Nova, Inc. to provide certain Google applications and licenses to its participating governments on a cost reimbursement basis, as well beginning to license software as a service. For the fiscal year ended June 30, 2011, the authority recognized \$2.7 million in fee revenue.

In August 2010, the Board of Trustees of the Metropolitan State College of Denver established the HLC @ Metro, Inc. as a non-profit entity to provide for the financing, construction, operation, and management of the Hotel and Hospitality Learning Center at Metro State. The facility includes a fully functioning hotel and learning laboratory for the college's Hospitality, Tourism, and Events department. The construction is being financed though \$54.9 million in bond issuances (see Note 24), with 75 percent of the debt service estimated to be covered by hotel operations and the remainder from fundraising, further supported by the college's unconditional guarantee. The hotel is expected to open in August 2012.

The University of Colorado Real Estate Foundation (CUREF), a non-for-profit tax exempt organization as described in Section 501(c)(3) of the Internal Revenue Service Code, was incorporated in 2002 as a nonprofit corporation to receive, hold, invest, and administer real and personal property, borrow money, and make expenditures to, or for the benefit, of the University of Colorado. CUREF carries out its real estate investing activities though direct ownership, management, and operation of certain real estate and through participation with other investors. As of June 30, 2011, CUREF was the sole member of six limited liability corporations with various interests in land, real estate LLCs, student housing, and office and industrial buildings.

**NOTE 40 – RELATED PARTIES AND ORGANIZATIONS**

The Colorado State University - Pueblo Foundation was established to benefit the Colorado State University - Pueblo. The foundation transferred \$1.4 million to the university during Fiscal Year 2010-11, owed the university \$1.0 million, and was due \$50,000 from the university at June 30, 2011.

The Adams State College Foundation provides scholarships and work-study grants to students, provides funding for athletics and administration, as well as providing program development grants to Adams State College. The foundation provided \$1.0 million in scholarships and grants during Fiscal Year 2010-11.

The Colorado Mesa University Foundation provides financial assistance to Colorado Mesa University students and assists the university in serving educational needs. In Fiscal Year 2010-11, the foundation awarded \$511,010 of scholarships directly to Colorado Mesa University students, provided approximately \$2.2 million in property. The university has a lease-purchase agreement with the foundation for the acquisition of property. The remaining term of the lease is 8 years and it requires payment of interest at 3 percent; the university owed the foundation \$1.2 million under this agreement at June 30, 2011.

Metropolitan State College of Denver Foundation, Inc. was organized and is operated to promote the general welfare of Metropolitan State College of Denver. The foundation provided \$2.3 million of funding to the college in Fiscal Year 2010-11. The foundation also reimbursed the college \$218,376 for services provided by college employees in Fiscal Year 2010-11. At June 30, 2011, the foundation owed the college \$392,651. As of this date, the college also had payables to the foundation of \$36,378.

Western State College Foundation was established to aid Western State College in fulfilling its educational mission. The foundation transferred \$3.3 million to the college in Fiscal Year 2010-11.

Most of the State's community colleges have established foundations to assist in their educational missions. With the exception of Northeastern Junior College and Colorado Northwestern Community College, none of these foundations made annual transfers to their related community colleges in excess of \$500,000. The Northeastern Junior College Foundation provided support to Northeastern Junior College in the amount of \$1.0 million for scholarships, grants, construction, and administrative costs. The Colorado Northwestern Community College Foundation provided support to Colorado Northwestern Community College in the amount of \$1.6 million for scholarships, instruction, athletics, administration, fund raising, and construction.

The University of Colorado Foundation is the sole member of CUF Boulder I, LLC and CUF Boulder II,

LLC (the LLCs). The LLCs were formed in September 2009 for the purposes of purchasing specific buildings near the University of Colorado at Boulder. In September 2010, the University of Colorado Boulder purchased the assets of CUF Boulder I, LLC. At June 30, 2011 \$22.3 million of net property investments were held by CUF Boulder II.

The University of Northern Colorado Foundation is the sole member of the University of Northern Colorado Student Housing LLC I (the LLC). The LLC was formed in 2001 to construct and operate a student housing facility and pays rent to the university equal to its net available cash flow as defined in a ground lease with the university that terminates in 2047. Title to the student housing facility transfers to the university at the end of the ground lease or upon earlier retirement of the bond issue. The foundation is not obligated under the bonds issued to finance the LLC's student housing facility, however the university has guaranteed payment on these bonds. The bonds include provisions whereby the guarantee can be terminated. Management of the university believes provisions for termination of the guarantee have been met. At June 30, 2011, the LLC had capital assets of \$13.1 million, other assets of \$6.8 million, long-term debt of \$22.8 million, and current liabilities of \$1.1 million. The total liabilities of the foundation exceeded its total assets by \$4.0 million. The LLC owed the University of Northern Colorado \$481,233 for a working capital loan at June 30, 2011.

The Auraria Foundation, a legally separate tax-exempt component of the Auraria Higher Education Center (AHEC), was established to receive gifts, legacies, and grants of money and property for the purpose of benefiting the AHEC. At June 30, 2011, the foundation provided support to AHEC in the amount of \$1.8 million for construction, administrative and other expenses.

The Fort Lewis College Foundation provides gifts, scholarships, and capital donations to Fort Lewis College. The foundation provided \$3.3 million in support during Fiscal Year 2010-11. At June 30, 2011, the foundation owed the college \$345,387.

The Great Outdoors Colorado Board (GOCO) is a constitutionally created entity whose purpose is to administer the GOCO Program and Trust Fund. The purpose of the program is to promote the wildlife and outdoor recreation resources of the State using funds it receives from the Colorado Lottery. During Fiscal Year 2010-11, the board funded \$33.3 million of wildlife and parks programs at the Department of Natural Resources. At June 30, 2011, GOCO owed the Department of Natural Resources \$16.3 million in unreimbursed expenditures.

The Colorado Housing Finance Authority (CHFA) Bond Program supports existing programs administered by CHFA that provide loans to small businesses, farms and ranches within the State of Colorado. The CHFA operates these programs in coordination with the U.S. Small Business Administration, the Farm Service Agency, and the U.S. Rural Business Cooperative Service. The Department of Treasury holds five CHFA bonds purchased from 2003 through 2007 with a face value of \$11.0 as of June 30, 2011, and a total original face value of \$24.2 million. The Department receives monthly payments from CHFA for all principal payments and interest collected by the Authority. On the bond maturity dates ranging from 2023 through 2027, the Department of Treasury will receive any unpaid principal balance of the bond, plus all accrued and unpaid interest.

CHFA also acts as the fiscal agent for the Governor's Energy Office State Energy Plan grant that provides loans for energy efficiency or renewable energy projects. CHFA retains an annual loan servicing fee of 0.05 percent on the outstanding principal balance of each loan. As of June 30, 2011, CHFA held cash of \$8.0 million for administration of the grant program.

### Component Units

The University of Colorado Hospital Authority and the University of Colorado Denver (UCD) had previously developed and received approval for an Institutional Master Plan to create a new academic health sciences center on the Anschutz Medical Campus. An original ground lease, entered into in 1998 for a period of 30 years, provided for approximately 18.4 acres of property acquired by the University of Colorado Regents from the U.S. Department of Education pursuant to a quitclaim deed. Subsequent agreements between the parties have provided additional land to the hospital to continue the development of the Anschutz Medical Campus allowing the hospital to expand its facilities with an office tower, parking garage, inpatient tower, and additional staff and patient parking. The hospital is planning to continue development with a second inpatient tower and parking garages on its current leased space to meet growing demand for inpatient services.

Under an Operating Agreement between the University of Colorado Regents and the University of Colorado Hospital Authority dated July 1, 1991, the Regents have entered into contracts with the hospital for the provision of services in support of programs and operations of the hospital. The hospital paid approximately \$32.9 million for these services in Fiscal Year 2010-11. Other contracts with the Regents for services that include clinic services, research projects, infrastructure expense, and other items resulted in payments by the University of Colorado Denver (UCD) to the hospital of approximately \$2.4 million in Fiscal Year 2010-11. In total, the UCD paid the hospital \$10.4 million in Fiscal Year 2010-11.

The hospital has contracted with University Physicians, Inc., a blended component unit of the State's Higher Education Institutions Fund to provide support for faculty administrative services and recruitment support. The hospital passed through \$5.0 million of government external funds and paid UPI an additional \$51.0 million for services in Fiscal Year 2010-11.

The hospital leases certain employees to the Adult Clinical Research Center (CRC), a related party, at full cost and provides overhead and ancillary services for CRC patients. Charges of approximately \$4.5 million were billed to CRC for the cost of these services during Fiscal Year 2010-11. The amount due from University of Colorado Denver, including CRC, was \$0.4 million at June 30, 2011.

The hospital entered certain provider and network management agreements with TriWest. TriWest was formed to deliver health care services to eligible beneficiaries of TriCare, formerly known as CHAMPUS – the Civilian Health and Medical Program of the Uniformed Services. On June 27, 1996, the U.S. Department of Defense awarded TriWest the TriCare contract for a five-year period that began April 1997. The contract was renewed and includes a transition period plus five one-year option periods for healthcare delivery beginning April 1, 2010. As part of the agreements, the hospital originally purchased a minority interest in TriWest for approximately \$3.3 million. It subsequently sold 1,656.55 shares in October 2007 to TriWest for approximately \$18.1 million. The investment in TriWest is accounted for under the cost method. The hospital received dividends of approximately \$0.6 million in July 2011.

In July 2010, the hospital entered into an agreement with University Physicians, Inc. (UPI) and the University of Colorado Denver (UCD) to begin a self-insurance trust called Colorado Health and Welfare Trust (Voluntary Employee Benefits Association Trust). The trust is managed by a third-party administrator to provide healthcare coverage for employees of UPI, UCD and University of Colorado Hospital and their dependents. In Fiscal Year 2010-11 the hospital paid premiums of \$22.0 million and on June 30, 2011 recorded a liability of \$2.3 million for its share of costs in excess of premiums paid.

The hospital and two other entities participate in Colorado Access, a Colorado not-for-profit corporation that owns and operates a statewide HMO to provide services to medically underserved Coloradoans. There are no earning distribution agreements between Colorado Access and the hospital. In August 2001 the hospital entered into an agreement to loan Colorado Access \$625,000. The principal and interest were originally due on or before August 24, 2004, but the hospital wrote down all of the accrued interest and \$600,000 of the principal in 2006 due to uncertainty of repayment. Colorado Access is unable to specify a repayment timeline due to ongoing



negotiations with the Colorado Division of Insurance regarding required levels of risk-based capital.

The Venture Capital Authority (VCA) has Limited Partnership Agreements with Colorado Fund I, LP and Colorado Fund II, LP, and has selected High Country Venture, LLC, to serve as manager and general partner of both funds. The partnership agreements allocate income or loss 20 percent to the general partner and 80 percent to the limited partners in accordance with their respective partnership percentages. As of December 31, 2010, VCA's investments in Colorado Fund I and Colorado Fund II totaled \$23.1 million and \$1.4 million, respectively.

**NOTE 41 – ENCUMBRANCES**

Most encumbrances are supported by annual appropriations and lapse at year-end. However, the Capital Projects Fund and the Highway Users Tax Fund include multi-year encumbrances of \$58.8 million and \$854.3 million, respectively, that are related to purchase orders and long-term contracts for the construction of major capital projects and infrastructure. In the General Fund (\$6.7 million), Resource Extraction Fund (\$0.7 million), Regular Capital Projects Fund (\$3.3 million), and Other Special Revenue Funds (\$3.8 million) encumbrances include approved rollforwards of annual appropriations for goods and services that were not received before June 30 due to extenuating circumstances, annual appropriations with express legislative intent to rollforward, and earned augmenting revenue for specific non-legislatively directed purposes going beyond the fiscal year end, such as insurance proceeds.

**NOTE 42 – CONTINGENCIES**

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

Numerous court cases are pending in which the plaintiffs allege that the State has deprived persons of their constitutional rights, civil rights, inadequately compensated them for their property, engaged in regulatory misfeasance, or breached contracts. In the aggregate, the monetary damages (actual, punitive, and attorney's fees) claimed in the constitutional and civil rights cases would exceed the insurance coverage available by a material

amount. One such claim exceeds \$122 million. The property compensation and breach of contract suits are generally limited to the appraised value of the property or the contract amount. In the breach of contract suits, the State often files counterclaims. While it is reasonably possible that awards of judgment could occur, it is unlikely that those awards would have a material adverse effect on the State's financial condition.

The State is the defendant in numerous lawsuits involving claims of inadequate, negligent, or unconstitutional treatment of prisoners, mental health patients, nursing home patients, or the developmentally disabled. In some of these suits, plaintiffs are seeking or have obtained certification as a class for a class action suit. Most of these cases seek actual damages that are not material but include requests for punitive damages that may be material. There is also the potential that the courts may rule that the current conditions of confinement, Medicaid coverage, or residential services are unconstitutional, which could result in significant future construction, medical, or residential services costs that are not subject to reasonable estimation.

The State is the defendant in lawsuits by employees accusing the State of various infractions of law or contract. These may include claims related to age and sex discrimination, sexual harassment, wrongful termination, contractual agreements for paying salaries based on parity and equity, and overtime compensation under the Federal Fair Labor Standards Act. The State does not believe that any of these cases are material to its financial operations.

In the event of adverse loss experience, which is defined as a default rate in excess of 9 percent, College Assist could be liable for up to 25 percent, or \$2.9 billion, of the \$11.4 billion outstanding balance of loans in repayment status. However, the probability of a material loss is remote, and the State's liability is capped at the net assets of the College Assist program of \$55.6 million.

At June 30, 2011, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately \$400.4 million in the names of lottery or lotto prizewinners. The probability is remote that any of the sellers of these contracts will default, and thereby require the State to pay the annuity.

The Colorado Department of Revenue routinely has claims for refunds in various stages of administrative and legal review that could result in refunds up to \$20.0 million individually. In addition, there a large number of conservation easement tax credit denial cases pending at the Department. Per legislation passed in 2011, the taxpayers involved must elect to proceed with administrative or district court resolution of their refund claims. Including potential penalties and interest, claims currently referred to the Attorney General total an estimated \$30 million and the total amount at issue is estimated at \$220 million. These amounts represent both unpaid income taxes and claims for income tax refunds.

Various notes and bonds have been issued by State school districts that may impact the State. Colorado statutes provide that if a district indicates it will not make a required payment to bondholders by the date on which it is due, the State Treasurer shall forward to the paying agent the amount necessary to make the payment. The State shall then withhold State property-tax-equalization payments to the defaulting school district for a period up to 12 months to cover the State's loss. Currently, notes or bonds valued at approximately \$7.87 billion are outstanding. Of this amount, \$4.56 billion is covered by private insurance.

The State of Kansas will likely seek injunctive relief against Colorado in a potential suit against Colorado and Nebraska claiming violations of the Republican River Compact. Although the State anticipates reaching a resolution with the State of Kansas prior to any suit being filed, the estimated potential damages range from \$1.0 million to \$10.0 million. The State has recorded a liability for the minimum amount of the potential damages range.

Many State agencies have grant and contract agreements with the federal government and other parties. These agreements generally provide for audits of the transactions pertaining to the agreements, with the State being liable to those parties for any disallowed expenditure. Individually significant disallowances are disclosed in the following paragraph.

The Department of Health Care Policy and Financing may be responsible for repaying the Centers for Medicare and Medicaid Services (CMS) approximately \$75.3 million in federal matching funds paid to Rocky Mountain Health Plan HMO (RMHP) for benefits paid to Medicaid clients during Fiscal Years 2008-09 through 2010-11. The payments were made to RMHP without the federally required claims review prior to payment. The State has established a process that has been accepted by CMS to accomplish a review of the claims in question. If the historical review is not completed, CMS has stated that potential disallowance of these payments may occur. The department has worked with CMS towards a resolution and assesses the probability of disallowance at 25 percent. The Department may also be required to repay CMS \$7.9 million because CMS rejected a State Plan Amendment designed to reduce rates for Non-Emergent Medical Transportation due to inadequate notification to clients.

School districts, students, and parents have filed suit against the State asserting that the current school funding system fails to provide a thorough and uniform system of free public education as required by the State Constitution. The plaintiffs seek to overturn the current funding system and ensure that additional funding of approximately \$1.35 billion to \$4.15 billion annually for operations funding and \$5.7 billion to \$17.9 billion for capital facility funding is provided. All claims were dismissed by the District Court and the Colorado Court of Appeals. After the Colorado

Court of Appeals decision, both the plaintiffs and the State petitioned the Colorado Supreme Court. The Supreme Court reversed the lower courts' ruling and remanded the case to District Court for trial, which concluded on September 2, 2011. On December 9, 2011, the District Court ruled in favor of the plaintiffs and held the State's school finance system is unconstitutional because it is inadequate and not rationally related to the constitutional mandate of a thorough and uniform system of free public education. The plaintiffs' action for declaratory and injunctive relief was stayed until final action by the Colorado Supreme Court upon appeal of the District Court's decision; provided that if appeal is not perfected to the Colorado Supreme Court, the District Court will review the stay upon application of either party submitted no earlier than the conclusion of the 2012 legislative session. The District Court's decision did not specify an immediate or long-term remedy, and the certainty, timing, and extent of fiscal impact on the State cannot be determined at this time. The State will appeal the ruling to the State Supreme Court. Estimates of plaintiff attorney fees and costs currently exceed \$1.0 million.

The Department of Human Services has been sued by a behavioral health clinic seeking damages of \$25.0 million plus additional legal costs. The plaintiff claims the department's licensing actions adversely affected their ability to operate their business. The licensing actions were overturned by an administrative law judge. The department is vigorously contesting the claims, and the State is unable to estimate the likelihood of an adverse outcome.

The State believes it has a reasonable possibility of favorable outcomes for the actions discussed in this Note 42, but the ultimate outcome cannot presently be determined. Except as otherwise noted, no provision for a liability has been made in the financial statements related to the contingencies discussed in this note.

## NOTE 43 – SUBSEQUENT EVENTS

### Primary Government

#### A. DEBT ISSUANCES AND REFUNDINGS

The High Performance Transportation Enterprise in the Department of Transportation received approval for a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan to fund the costs of building a managed lane on US 36. The maximum amount of the loan is \$54.0 million and carries an interest rate of 3.58%. The loan is to be used to fund up to 33 percent of the costs of the project, with other funds provided by the Regional Transportation District, the Bridge Enterprise, DRCOG, and grant funds.

On July 1, 2011, the University of Northern Colorado refinanced its 3.0 to 5.5 percent, Auxiliary Revenue

Refunding and Improvement bonds, issued July 31, 2001, in the original amount of \$50,000,000, and maturing in varying amounts through June 1, 2031. The refunding Institutional Enterprise Revenue Refunding Bonds, Series 2011A bonds were issued at fixed rate of 2.0 to 5.0 percent, in the amount of \$41,690,000, and mature in varying amounts through June 1, 2031.

On July 1, 2011, the University of Northern Colorado issued Variable Rate Demand Institutional Enterprise Revenue Refunding Bonds (Series 2011B) to purchase the Arlington Park Student Housing Facility and dissolved the University of Northern Colorado Student Housing LLC, a related organization. These bonds were issued at a variable rate projected at 3.5 percent, in the original amount of \$21,130,000, and maturing in variable amounts through June 1, 2036. This resulted in the termination of the ground lease between the LLC and the University.

On July 14, 2011, the State issued Education Loan Program Tax and Revenue Anticipation Notes (ETRAN), Series 2011A. The notes mature on June 29, 2012. The total due on that date includes \$100 million in principal and \$1,916,667 in interest. By statute, interest on the notes is payable from the General Fund. The ETRAN was issued with a premium of \$1,692,000, a coupon rate of 2.00 percent, and a true interest cost of 0.24 percent.

On July 19, 2011, the State issued General Fund Tax and Revenue Anticipation Notes (GTRAN), Series 2011A. The notes mature on June 27, 2012. The total due on that date includes \$500 million in principal and \$9,388,889 in interest. The GTRAN was issued with a premium of \$8,620,000, a coupon rate of 2.00 percent, and a true interest cost of 0.18 percent.

On August 9, 2011, Colorado Mesa University issued Auxiliary Facilities System Enterprise Revenue Bond Series 2011 for \$8,000,000. The bond matures in August 2021 with variable interest calculated as the product of the Bank Qualified factor times the sum of the Five Year Treasury (Constant Maturity) plus 210 basis points. The initial rate is 2.49 percent and shall remain in effect for a five-year period. Bond interest will be recalculated in 2016 and each successive year using the above formula. Colorado Mesa University may accept the recalculated rate for a period of five years or through the maturity date, whichever is shorter. The University is under no obligation to accept any recalculated rate.

On September 7, 2011, the Department of Transportation issued \$104,650,000 in Series 2011 Refunding Transportation Revenue Anticipation Notes (TRANS), to partially refund \$106,070,000 of the Series 2004A TRANS. The tax-exempt notes were issued with a premium of \$18,617,111, an average coupon rate of 4.92 percent, and a true interest cost of 1.43 percent. Interest payments are due semiannually starting on December 15, 2011, with the entire principal due at maturity on December 15, 2016.

On October 6, 2011, in a related party transaction, the State's Public School Permanent Fund invested \$4,875,000 in Treasury's Colorado Housing and Finance Authority Bond Program. The bond has a coupon rate of 2.92 percent and matures on October 6, 2031. Principal and interest received on December 1, 2011 for the period ending November 2011 was \$197,000 and \$22,143, respectively.

On December 8, 2011, the State issued Building Excellent Schools Today (BEST) Certificates of Participation, Series 2011G in the amount of \$146,635,000. BEST was issued as tax-exempt certificates with a premium of \$12,777,838, an average coupon rate of 4.89 percent, and a true interest cost of 4.00 percent. Base Rents are due semiannually beginning on March 15, 2012, with a final maturity date of March 15, 2032.

On December 13, 2011, the Board of Trustees of Western State College issued tax-exempt Institutional Enterprise Refunding Bonds Series 2011A in the amount of \$6,180,000, and tax-exempt Institutional Enterprise Refunding Bonds Series 2011B in the amount of \$6,550,000, to fully refund the Series 2003A and Series 2003B issuance. Interest rates range from 1.280 percent to 3.625 percent with principal due in varying amounts from May 15, 2012 through May 15, 2025.

**B. OTHER**

On April 8, 2011, the University of Colorado's Board of Regents approved the sale of the former Ninth Avenue campus in Denver for \$34,800,000. A nonrefundable amount of \$325,000 is on deposit from the purchase and sale agreement that was not terminated during a 150-day Investigation Period, which ended September 16, 2011. Another 120-day Rezoning Period began under which the buyer placed an additional \$300,000 in escrow that becomes nonrefundable unless the buyer terminates the contract within the next 120 days. In the event the agreement is completed, the amounts placed in escrow will be applied against the purchase price. As part of the agreement, the buyer is purchasing the property in "as-is" condition and will be responsible for all remaining site remediation.

College Assist submitted a Voluntary Flexible Agreement proposal in accordance with *Federal Register, Vol. 72, No. 104* issued May 31, 2011, in partnership with the Nebraska Student Loan Program. If accepted, College Assist will operate under the requirements of the agreement in lieu of the current guaranty agency agreement. It is anticipated that the proposal will improve College Assist's long-term financial position.

Colorado State University received an in-kind gift of software in August 2011 with a commercial value of \$44.5 million. The software will be used in the University's EcoCAR program.

The long-term sovereign credit of the United States of America was placed on negative CreditWatch by Standard & Poor's, effective July 14, 2011. On August 5, 2011, Standard & Poor's reduced that credit rating from AAA to AA+ with a negative outlook. The related sovereign short-term credit rating, A-1+, remained unchanged and was removed from the CreditWatch negative status. The State Treasury and the University of Colorado Treasury hold US Government Securities that are affected by the sovereign credit rating of the United States of America. The investment policies and guidelines of the State Treasury and University of Colorado Treasury required no actions as a result of this downgrade. No changes have been made to the investment disclosures as of June 30, 2011.

### **Component Units**

Subsequent to Fiscal Year 2010-11, the University of Colorado Hospital Authority's board approved repayment of the Series 1997A bonds and issuing new bonds with a lower interest rate, but with similar terms. The board also approved refinancing the Series 1997A Bonds with a lower interest rate. The new bonds are expected to be issued in November 2011.

Subsequent to December 31, 2010, both the Colorado Funds I and II, L.P. made equity investments in eleven entities totaling \$5.3 million with approximately \$5.2 million of that amount representing the authority's share of the capital contribution.

On March 30, 2011, the Colorado Water Resources and Power Development Authority issued Drinking Water Revenue Bonds 2011 Series A for \$24,795,000. The bond issuance consists of serial bonds that mature annually through September 1, 2032. Interest on the bonds is payable semi-annually with rates ranging from 2.0 to 4.375 percent. The bonds maturing on or after September 1, 2022, are subject to optional redemption on or after September 1, 2021, at a redemption price equal to principal plus interest accrued to the redemption date.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGETARY BASIS  
BUDGET AND ACTUAL - GENERAL FUNDED  
FOR THE YEAR ENDED JUNE 30, 2011**

| (DOLLARS IN THOUSANDS)   | ORIGINAL<br>APPROPRIATION | FINAL<br>SPENDING<br>AUTHORITY | ACTUAL             | (OVER)/UNDER<br>SPENDING<br>AUTHORITY |
|--|---------------------------|--------------------------------|--------------------|---------------------------------------|
| <b>REVENUES AND TRANSFERS-IN:</b>  |                           |                                |                    |                                       |
| Sales and Other Excise Taxes   |                           |                                | \$ 2,323,065       |                                       |
| Income Taxes   |                           |                                | 4,519,468          |                                       |
| Other Taxes  |                           |                                | 190,090            |                                       |
| Sales and Services   |                           |                                | 289                |                                       |
| Interest Earnings  |                           |                                | 8,993              |                                       |
| Other Revenues   |                           |                                | 21,556             |                                       |
| Transfers-In   |                           |                                | 201,072            |                                       |
| <b>TOTAL REVENUES AND TRANSFERS-IN</b>   |                           |                                | <b>7,264,533</b>   |                                       |
| <b>EXPENDITURES AND TRANSFERS-OUT:</b>   |                           |                                |                    |                                       |
| Operating Budgets:   |                           |                                |                    |                                       |
| Departmental:  |                           |                                |                    |                                       |
| Agriculture  | \$ 4,957                  | \$ 4,925                       | 4,798              | \$ 127                                |
| Corrections  | 647,180                   | 658,803                        | 656,582            | 2,221                                 |
| Education  | 3,176,664                 | 2,963,614                      | 2,963,105          | 509                                   |
| Governor   | 11,291                    | 11,930                         | 10,912             | 1,018                                 |
| Health Care Policy and Financing   | 1,290,651                 | 1,265,225                      | 1,271,497          | (6,272)                               |
| Higher Education   | 660,271                   | 705,315                        | 705,065            | 250                                   |
| Human Services   | 639,803                   | 624,111                        | 623,564            | 547                                   |
| Judicial Branch  | 332,424                   | 327,055                        | 324,697            | 2,358                                 |
| Law  | 9,615                     | 9,510                          | 9,400              | 110                                   |
| Legislative Branch   | 34,797                    | 34,797                         | 31,746             | 3,051                                 |
| Local Affairs  | 10,785                    | 10,754                         | 10,580             | 174                                   |
| Military and Veterans Affairs  | 5,320                     | 5,286                          | 5,052              | 234                                   |
| Natural Resources  | 26,419                    | 26,201                         | 25,983             | 218                                   |
| Personnel & Administration   | 5,521                     | 5,149                          | 4,819              | 330                                   |
| Public Health and Environment  | 27,541                    | 27,460                         | 27,385             | 75                                    |
| Public Safety  | 82,654                    | 82,315                         | 80,403             | 1,912                                 |
| Regulatory Agencies  | 1,510                     | 1,510                          | 1,503              | 7                                     |
| Revenue  | 178,552                   | 178,678                        | 169,236            | 9,442                                 |
| Treasury   | 6,161                     | 5,974                          | 5,715              | 259                                   |
| Transfers Not Appropriated by Department   | 288,872                   | 288,872                        | 288,872            | -                                     |
| <b>SUB-TOTAL OPERATING BUDGETS</b>   | <b>7,440,988</b>          | <b>7,237,484</b>               | <b>7,220,914</b>   | <b>16,570</b>                         |
| Capital and Multi-Year Budgets:  |                           |                                |                    |                                       |
| Departmental:  |                           |                                |                    |                                       |
| Agriculture  | -                         | 952                            | 488                | 464                                   |
| Corrections  | 18,952                    | 12,682                         | 8,795              | 3,887                                 |
| Education  | -                         | 272                            | 148                | 124                                   |
| Governor   | 876                       | 876                            | 12                 | 864                                   |
| Higher Education   | 8,709                     | 26,467                         | 13,425             | 13,042                                |
| Human Services   | 1,496                     | 4,661                          | 3,076              | 1,585                                 |
| Military and Veterans Affairs  | 4,210                     | 4,470                          | 3,000              | 1,470                                 |
| Personnel & Administration   | 3,018                     | 7,374                          | 3,417              | 3,957                                 |
| Public Health and Environment  | -                         | 184                            | 109                | 75                                    |
| Public Safety  | -                         | 1,356                          | 1,316              | 40                                    |
| Revenue  | 7,064                     | 14,378                         | 8,036              | 6,342                                 |
| Transportation   | 500                       | 500                            | 500                | -                                     |
| Treasury   | 4,067                     | -                              | -                  | -                                     |
| Budgets/Transfers Not Recorded by Department   | 14,844                    | 14,844                         | 14,844             | -                                     |
| <b>SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS</b>  | <b>63,736</b>             | <b>89,016</b>                  | <b>57,166</b>      | <b>31,850</b>                         |
| <b>TOTAL EXPENDITURES AND TRANSFERS-OUT</b>  | <b>\$ 7,504,724</b>       | <b>\$ 7,326,500</b>            | <b>7,278,080</b>   | <b>\$ 48,420</b>                      |
| <b>EXCESS OF REVENUES AND TRANSFERS-IN OVER<br/>(UNDER) EXPENDITURES AND TRANSFERS-OUT</b> |                           |                                | <b>\$ (13,547)</b> |                                       |

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

**SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES,  
AND CHANGES IN FUND BALANCES/NET ASSETS - BUDGETARY BASIS  
BUDGET AND ACTUAL - CASH FUNDED  
FOR THE YEAR ENDED JUNE 30, 2011**

| (DOLLARS IN THOUSANDS)  | ORIGINAL<br>APPROPRIATION | FINAL<br>SPENDING<br>AUTHORITY | ACTUAL            | (OVER)/UNDER<br>SPENDING<br>AUTHORITY |
|---|---------------------------|--------------------------------|-------------------|---------------------------------------|
| <b>REVENUES AND TRANSFERS-IN:</b>   |                           |                                |                   |                                       |
| Sales and Other Excise Taxes  |                           |                                | \$ 738,774        |                                       |
| Income Taxes  |                           |                                | 370,499           |                                       |
| Other Taxes   |                           |                                | 1,176,965         |                                       |
| Tuition and Fees  |                           |                                | 2,150,904         |                                       |
| Sales and Services  |                           |                                | 1,939,533         |                                       |
| Interest Earnings   |                           |                                | 195,808           |                                       |
| Other Revenues  |                           |                                | 2,534,133         |                                       |
| Transfers-In  |                           |                                | 6,259,730         |                                       |
| <b>TOTAL REVENUES AND TRANSFERS-IN</b>  |                           |                                | <b>15,366,346</b> |                                       |
| <b>EXPENDITURES/EXPENSES AND TRANSFERS-OUT:</b>   |                           |                                |                   |                                       |
| Operating Budgets:  |                           |                                |                   |                                       |
| Departmental:   |                           |                                |                   |                                       |
| Agriculture   | \$ 31,274                 | \$ 31,253                      | 27,122            | \$ 4,131                              |
| Corrections   | 96,402                    | 96,944                         | 79,677            | 17,267                                |
| Education   | 3,581,239                 | 3,591,303                      | 3,534,486         | 56,817                                |
| Governor  | 225,077                   | 239,266                        | 182,396           | 56,870                                |
| Health Care Policy and Financing  | 1,231,959                 | 1,420,994                      | 1,434,718         | (13,724)                              |
| Higher Education  | 3,186,432                 | 3,254,667                      | 3,001,446         | 253,221                               |
| Human Services  | 719,829                   | 321,547                        | 289,197           | 32,350                                |
| Judicial Branch   | 198,780                   | 190,063                        | 178,169           | 11,894                                |
| Labor and Employment  | 968,208                   | 981,053                        | 877,214           | 103,839                               |
| Law   | 41,889                    | 51,280                         | 40,860            | 10,420                                |
| Legislative Branch  | 8,167                     | 8,167                          | 3,202             | 4,965                                 |
| Local Affairs   | 423,398                   | 423,398                        | 267,795           | 155,603                               |
| Military and Veterans Affairs   | 9,105                     | 9,060                          | 6,475             | 2,585                                 |
| Natural Resources   | 730,540                   | 715,379                        | 392,035           | 323,344                               |
| Personnel & Administration  | 464,776                   | 455,443                        | 429,312           | 26,131                                |
| Public Health and Environment   | 195,272                   | 227,123                        | 191,228           | 35,895                                |
| Public Safety   | 149,693                   | 149,378                        | 132,639           | 16,739                                |
| Regulatory Agencies   | 78,365                    | 77,499                         | 71,607            | 5,892                                 |
| Revenue   | 902,657                   | 925,924                        | 750,888           | 175,036                               |
| State   | 21,827                    | 25,281                         | 19,108            | 6,173                                 |
| Transportation  | 2,249,707                 | 2,249,793                      | 769,050           | 1,480,743                             |
| Treasury  | 1,897,630                 | 1,898,206                      | 1,660,077         | 238,129                               |
| Budgets/Transfers Not Recorded by Department  | -                         | 3,337                          | 937               | 2,400                                 |
| <b>SUB-TOTAL OPERATING BUDGETS</b>  | <b>17,412,226</b>         | <b>17,346,358</b>              | <b>14,339,638</b> | <b>3,006,720</b>                      |
| Capital and Multi-Year Budgets:   |                           |                                |                   |                                       |
| Departmental:   |                           |                                |                   |                                       |
| Agriculture   | -                         | 1                              | -                 | 1                                     |
| Corrections   | 9,923                     | 18,411                         | 13,746            | 4,665                                 |
| Education   | -                         | 622                            | 39                | 583                                   |
| Governor  | 1,138                     | 1,939                          | 427               | 1,512                                 |
| Higher Education  | 183,465                   | 429,833                        | 206,295           | 223,538                               |
| Human Services  | 1,510                     | 5,778                          | 1,870             | 3,908                                 |
| Judicial Branch   | 221,299                   | 221,299                        | 91,668            | 129,631                               |
| Labor and Employment  | 33,332                    | 36,742                         | 33,002            | 3,740                                 |
| Military and Veterans Affairs   | -                         | 6,130                          | 4,044             | 2,086                                 |
| Natural Resources   | 52,962                    | 84,625                         | 27,819            | 56,806                                |
| Personnel & Administration  | 3,821                     | 4,654                          | 865               | 3,789                                 |
| Public Health and Environment   | 14,921                    | 23,126                         | 2,215             | 20,911                                |
| Public Safety   | -                         | 1,150                          | -                 | 1,150                                 |
| Revenue   | -                         | 5,279                          | 1,276             | 4,003                                 |
| Transportation  | 500                       | 500                            | 500               | -                                     |
| Treasury  | 8,380                     | 8,878                          | 8,860             | 18                                    |
| Budgets/Transfers Not Recorded by Department  | 15,223                    | 15,223                         | 14,215            | 1,008                                 |
| <b>SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS</b>   | <b>546,474</b>            | <b>864,190</b>                 | <b>406,841</b>    | <b>457,349</b>                        |
| <b>TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT</b>  | <b>\$ 17,958,700</b>      | <b>\$ 18,210,548</b>           | <b>14,746,479</b> | <b>\$ 3,464,069</b>                   |
| <b>EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER)<br/>EXPENDITURES/EXPENSES AND TRANSFERS-OUT</b> |                           |                                | <b>\$ 619,867</b> |                                       |

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

**SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES,  
AND CHANGES IN FUND BALANCES/NET ASSET - BUDGETARY BASIS  
BUDGET AND ACTUAL - FEDERALLY FUNDED  
FOR THE YEAR ENDED JUNE 30, 2011**

(DOLLARS IN THOUSANDS)

|   | ORIGINAL<br>APPROPRIATION | FINAL<br>SPENDING<br>AUTHORITY | ACTUAL           | (OVER)/UNDER<br>SPENDING<br>AUTHORITY |
|---|---------------------------|--------------------------------|------------------|---------------------------------------|
| REVENUES AND TRANSFERS-IN:  |                           |                                |                  |                                       |
| Federal Grants and Contracts  |                           |                                | \$ 8,844,332     |                                       |
| <b>TOTAL REVENUES AND TRANSFERS-IN</b>  |                           |                                | <b>8,844,332</b> |                                       |
| EXPENDITURES/EXPENSES AND TRANSFERS-OUT:  |                           |                                |                  |                                       |
| Capital and Multi-Year Budgets:   |                           |                                |                  |                                       |
| Departmental:   |                           |                                |                  |                                       |
| Agriculture   | \$ 4,020                  | \$ 12,605                      | 5,659            | \$ 6,946                              |
| Corrections   | 2,003                     | 5,135                          | 3,486            | 1,649                                 |
| Education   | 569,851                   | 1,247,776                      | 887,537          | 360,239                               |
| Governor  | 34,529                    | 556,326                        | 360,234          | 196,092                               |
| Health Care Policy and Financing  | 2,750,370                 | 2,845,656                      | 2,804,488        | 41,168                                |
| Higher Education  | 124,482                   | 567,476                        | 498,851          | 68,625                                |
| Human Services  | 758,401                   | 1,808,534                      | 1,537,204        | 271,330                               |
| Judicial Branch   | 9,451                     | 19,358                         | 10,304           | 9,054                                 |
| Labor and Employment  | 138,956                   | 1,690,238                      | 1,464,384        | 225,854                               |
| Law   | 1,469                     | 2,559                          | 1,869            | 690                                   |
| Local Affairs   | 96,977                    | 149,317                        | 85,571           | 63,746                                |
| Military and Veterans Affairs   | 222,410                   | 41,629                         | 28,385           | 13,244                                |
| Natural Resources   | 27,366                    | 70,746                         | 40,924           | 29,822                                |
| Personnel & Administration  | -                         | 4,648                          | 463              | 4,185                                 |
| Public Health and Environment   | 274,732                   | 384,304                        | 260,328          | 123,976                               |
| Public Safety   | 27,918                    | 74,890                         | 38,125           | 36,765                                |
| Regulatory Agencies   | 1,231                     | 5,621                          | 2,470            | 3,151                                 |
| Revenue   | 815                       | 5,406                          | 2,342            | 3,064                                 |
| State   | -                         | 2,048                          | 1,050            | 998                                   |
| Transportation  | 369,101                   | 865,046                        | 694,732          | 170,314                               |
| Treasury  | -                         | 164,307                        | 164,307          | -                                     |
| <b>SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS</b>   | <b>5,414,082</b>          | <b>10,523,625</b>              | <b>8,892,713</b> | <b>1,630,912</b>                      |
| <b>TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT</b>  | <b>\$ 5,414,082</b>       | <b>\$ 10,523,625</b>           | <b>8,892,713</b> | <b>\$ 1,630,912</b>                   |
| EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER)<br>EXPENDITURES/EXPENSES AND TRANSFERS-OUT |                           |                                | \$ (48,381)      |                                       |

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





**RECONCILING SCHEDULE  
ALL BUDGET FUND TYPES  
TO ALL GAAP FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2011**

(DOLLARS IN THOUSANDS)

|   | GOVERNMENTAL FUND TYPES |                        |                         |                     |                    |                                |
|---|-------------------------|------------------------|-------------------------|---------------------|--------------------|--------------------------------|
|   | GENERAL                 | RESOURCE<br>EXTRACTION | HIGHWAY<br>USERS<br>TAX | CAPITAL<br>PROJECTS | STATE<br>EDUCATION | OTHER<br>GOVERNMENTAL<br>FUNDS |
| <b>BUDGETARY BASIS:</b>   |                         |                        |                         |                     |                    |                                |
| Revenues and Transfers-In:  |                         |                        |                         |                     |                    |                                |
| General   | \$ 7,243,906            | \$ -                   | \$ -                    | \$ 20,627           | \$ -               | \$ -                           |
| Cash  | 4,838,429               | 313,760                | 1,696,660               | 194,997             | 598,177            | 2,245,161                      |
| Federal   | 5,951,388               | 159,631                | 682,441                 | 40,956              | -                  | 201,025                        |
| Sub-Total Revenues and Transfers-In   | <u>18,033,723</u>       | <u>473,391</u>         | <u>2,379,101</u>        | <u>256,580</u>      | <u>598,177</u>     | <u>2,446,186</u>               |
| Expenditures/Expenses and Transfers-Out   |                         |                        |                         |                     |                    |                                |
| General Funded  | 7,232,899               | -                      | -                       | 45,181              | -                  | -                              |
| Cash Funded   | 4,574,303               | 376,857                | 1,826,459               | 336,382             | 423,490            | 2,101,545                      |
| Federally Funded  | 5,951,042               | 159,631                | 682,408                 | 40,963              | -                  | 204,142                        |
| Expenditures/Expenses and Transfers-Out   | <u>17,758,244</u>       | <u>536,488</u>         | <u>2,508,867</u>        | <u>422,526</u>      | <u>423,490</u>     | <u>2,305,687</u>               |
| Excess of Revenues and Transfers-In Over<br>(Under) Expenditures and Transfers-Out - Budget Basis | 275,479                 | (63,097)               | (129,766)               | (165,946)           | 174,687            | 140,499                        |
| <b>BUDGETARY BASIS ADJUSTMENTS:</b>   |                         |                        |                         |                     |                    |                                |
| Increase/(Decrease) for Unrealized Gains/Losses   | (5,940)                 | (3,335)                | (6,963)                 | (2,738)             | (3,472)            | (11,832)                       |
| Increase for Budgeted Non-GAAP Expenditures   | -                       | 25,858                 | -                       | -                   | -                  | 343                            |
| Increase/(Decrease) for GAAP Expenditures Not Budgeted  | 209,490                 | (37)                   | 97,213                  | 155,102             | -                  | (69,880)                       |
| Increase/(Decrease) for GAAP Revenue Adjustments  | (193,618)               | (1,198)                | -                       | (152,152)           | -                  | (99,153)                       |
| Increase/(Decrease) for Non-Budgeted Funds  | -                       | -                      | -                       | -                   | -                  | -                              |
| Excess of Revenues and Transfers-In Over<br>(Under) Expenditures and Transfers-Out - GAAP Basis   | <u>285,411</u>          | <u>(41,809)</u>        | <u>(39,516)</u>         | <u>(165,734)</u>    | <u>171,215</u>     | <u>(40,023)</u>                |
| <b>GAAP BASIS FUND BALANCES/NET ASSETS:</b>   |                         |                        |                         |                     |                    |                                |
| FUND BALANCE/NET ASSETS, FISCAL YEAR BEGINNING  | 15,784                  | 519,520                | 1,242,529               | 385,059             | 194,586            | 1,728,058                      |
| Prior Period Adjustments (See Note 29)  | 7,953                   | -                      | -                       | 7                   | -                  | (11,736)                       |
| Accounting Changes (See Note 29)  | 293,699                 | 390,789                | -                       | -                   | -                  | (93,820)                       |
| FUND BALANCE/NET ASSETS, FISCAL YEAR END  | <u>\$ 602,847</u>       | <u>\$ 868,500</u>      | <u>\$ 1,203,013</u>     | <u>\$ 219,332</u>   | <u>\$ 365,801</u>  | <u>\$ 1,582,479</u>            |

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

| PROPRIETARY FUND TYPES              |                           |                  |                              |                     |                            |                                |
|-------------------------------------|---------------------------|------------------|------------------------------|---------------------|----------------------------|--------------------------------|
| HIGHER<br>EDUCATION<br>INSTITUTIONS | UNEMPLOYMENT<br>INSURANCE | STATE<br>LOTTERY | OTHER<br>ENTERPRISE<br>FUNDS | INTERNAL<br>SERVICE | FIDUCIARY<br>FUND<br>TYPES | TOTAL<br>PRIMARY<br>GOVERNMENT |
| \$ -                                | \$ -                      | \$ -             | \$ -                         | \$ -                | \$ -                       | \$ 7,264,533                   |
| 2,320,566                           | 796,182                   | 527,880          | 435,131                      | 209,973             | 1,189,430                  | 15,366,346                     |
| 17,670                              | 1,345,621                 | -                | 444,943                      | 657                 | -                          | 8,844,332                      |
| 2,338,236                           | 2,141,803                 | 527,880          | 880,074                      | 210,630             | 1,189,430                  | 31,475,211                     |
| -                                   | -                         | -                | -                            | -                   | -                          | 7,278,080                      |
| 2,286,002                           | 770,622                   | 527,952          | 333,298                      | 214,998             | 974,571                    | 14,746,479                     |
| 39,202                              | 1,345,642                 | -                | 469,026                      | 657                 | -                          | 8,892,713                      |
| 2,325,204                           | 2,116,264                 | 527,952          | 802,324                      | 215,655             | 974,571                    | 30,917,272                     |
| 13,032                              | 25,539                    | (72)             | 77,750                       | (5,025)             | 214,859                    | 557,939                        |
| (69)                                | -                         | (246)            | 240                          | 147                 | 562,309                    | 528,101                        |
| -                                   | -                         | 860              | 24,417                       | 869                 | -                          | 52,347                         |
| 73,994                              | (27,689)                  | (651)            | (8,847)                      | (9,449)             | (13)                       | 419,233                        |
| -                                   | -                         | -                | (693)                        | 1,288               | -                          | (445,526)                      |
| 387,488                             | -                         | -                | -                            | -                   | -                          | 387,488                        |
| 474,445                             | (2,150)                   | (109)            | 92,867                       | (12,170)            | 777,155                    | 1,499,582                      |
| 4,294,966                           | (115,758)                 | 6,478            | 560,794                      | 22,012              | 3,431,779                  | 12,285,807                     |
| (46,163)                            | -                         | -                | (687)                        | -                   | -                          | (50,626)                       |
| -                                   | -                         | -                | -                            | 91                  | -                          | 590,759                        |
| \$ 4,723,248                        | \$ (117,908)              | \$ 6,369         | \$ 652,974                   | \$ 9,933            | \$ 4,208,934               | \$ 14,325,522                  |

## GENERAL FUND SURPLUS SCHEDULE

With the implementation of GASB Statement No. 54 the General Fund for GAAP purposes is not equivalent to the General Fund for budgetary purposes. The General Fund for GAAP purposes contains activities that are considered cash funds for budget purposes, and includes, State Public School, Risk Management Fund, and Other Special Purpose Funds that do not have a sufficient original-source revenue stream to qualify as special revenue funds. The General Purpose Revenue Fund balance represents \$32.4 million of the GAAP General Fund balance of \$602.8 million on the *Balance Sheet – Governmental Funds*.

The General Purpose Revenue Fund is the principal operating fund of the State. It is used to account for all governmental financial resources and transactions not legally required to be accounted for in another fund. The General Fund Surplus is a statutorily defined amount that varies from the fund balance reported in the General Purpose Revenue Fund by revenues and expenditures that have been deferred into the following year for the budgetary basis (see Note RSI-1A).

The schedule on the following page is presented to document compliance with the constitutional requirement for a positive General Fund Surplus on the budgetary basis. The schedule differs from the General Fund presentation in the *Statement of Revenues, Expenditures, and Changes in Fund Balances* and the *Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis – Budget-to-Actual – General Funded* by the specific purpose revenue funds discussed above and in several other ways as discussed below.

The total fund balance in the General Purpose Revenue Fund column on the *Combining Balance Sheet – General Funds* represents cumulative general-purpose and augmenting revenues in excess of expenditures. The total fund balance comprises several sub-classifications indicating the relative enforceability of constraints on those resources in accordance with GAAP definitions. The sub-classifications include Nonspendable, Restricted, Committed, Assigned and Unassigned Fund Balances and do not represent availability for purposes of computing General Fund Surplus. As a result, the ending General Fund Surplus is reconciled to the General Purpose Revenue Fund fund balance on the combining *Balance Sheet – General Fund Components*, rather than the Unassigned fund balance

on the *Balance Sheet – General Funds* in the Basic Financial Statements.

General-purpose revenues are revenues that are not designated for specific purposes. The following schedule shows the current fiscal year general-purpose revenues and the expenditures, by department, funded from those general-purpose revenues. The excess augmenting revenues shown represent earned revenues that were greater than the related appropriation for specific cash-funded expenditures in the General Purpose Revenue Fund. These revenues in excess of the related expenditures become part of total fund balance. (See Note 8A beginning on page 84 for information regarding the negative reversion at the Department of Health Care Policy & Financing.)

In order to measure the General Fund Surplus, encumbrances of the prior year related to approved rollforwards are subtracted from the revised budget and the actual expenditure columns because they were considered expended in the prior year. In addition, encumbrances at the end of the current year related to approved rollforwards are considered expenditures and are added to the actual expenditures column.

In order to properly state the amounts reverted, restrictions on the revised budget are not reflected in the amounts shown. Unspent unrestricted appropriations are reported as reversions on the schedule.

Due to declining general-purpose revenues throughout the Fiscal Year 2009-10, in June 2010, the Director of the Office of State Planning and Budgeting and the State Controller, under the authority of Colorado Revised Statutes 25.5-4-401(1)(c), authorized the Department of Health Care Policy and Financing to interrupt the normal Medicaid provider payment schedule. As a result, approximately \$28.1 million of payments that otherwise would have occurred in the last two weeks of June were delayed until July 1, 2010. Consequently, these payments are included as departmental expenditures for purpose of budget compliance on the General Fund Surplus Schedule in Fiscal Year 2010-11. This treatment is similar to the recognition for budget purposes of the other amounts shown as deferred into Fiscal Year 2010-11 on the Fiscal Year 2009-10 General Fund Surplus Schedule.

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
GENERAL FUND SURPLUS  
BUDGET AND ACTUAL - BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

| (DOLLARS IN THOUSANDS)   | ORIGINAL<br>ESTIMATE/<br>BUDGET | REVISED<br>ESTIMATE/<br>BUDGET | ACTUAL           | REVERSIONS OF<br>GENERAL<br>FUND<br>APPROPRIATION | EXCESS<br>AUGMENTING<br>REVENUE<br>EARNED |
|--|---------------------------------|--------------------------------|------------------|---|---|
| <b>REVENUES:</b>   |                                 |                                |                  |   |   |
| Sales and Use Tax  | \$ 2,217,600                    | \$ 2,192,400                   | \$ 2,233,521     |   |   |
| Other Excise Taxes   | 91,500                          | 89,800                         | 89,544           |   |   |
| Individual Income Tax, net   | 4,103,700                       | 4,270,800                      | 4,153,910        |   |   |
| Corporate Income Tax, net  | 405,800                         | 347,200                        | 365,558          |   |   |
| Estate Tax   | -                               | -                              | (50)             |   |   |
| Insurance Tax  | 192,200                         | 191,600                        | 189,648          |   |   |
| Parimutuel, Courts, and Other  | 31,600                          | 21,300                         | 25,380           |   |   |
| Investment Income  | 16,800                          | 6,600                          | 7,907            |   |   |
| Gaming   | 33,500                          | 20,400                         | 20,400           |   |   |
| <b>TOTAL GENERAL PURPOSE REVENUES</b>  | <b>7,092,700</b>                | <b>7,140,100</b>               | <b>7,085,818</b> |   |   |
| <b>ACTUAL BUDGET RECORDED AND EXPENDITURES:</b>                                      |                                 |                                |                  |   |   |
| Agriculture  | 4,956                           | 4,924                          | 4,798            | \$ 126  | \$ 122                                    |
| Corrections  | 653,358                         | 658,794                        | 656,452          | 2,342   | 1   |
| Education  | 3,540,055                       | 2,963,614                      | 2,963,107        | 507   | 1,191                                     |
| Governor   | 11,291                          | 11,930                         | 11,528           | 402   | 6   |
| Health Care Policy and Financing   | 1,343,025                       | 1,265,814                      | 1,271,909        | (6,095)   | 122                                       |
| Higher Education   | 660,271                         | 705,108                        | 705,085          | 23  | 99  |
| Human Services   | 637,144                         | 624,138                        | 620,208          | 3,930   | 2,612                                     |
| Judicial Branch  | 329,936                         | 327,054                        | 324,697          | 2,357   | 329                                       |
| Labor and Employment   | -                               | -                              | -                | -   | 43  |
| Law  | 9,546                           | 9,510                          | 9,400            | 110   | 410                                       |
| Legislative Branch   | 35,185                          | 34,796                         | 31,764           | 3,032   | 99  |
| Local Affairs  | 10,704                          | 10,754                         | 10,579           | 175   | 212                                       |
| Military and Veterans Affairs  | 5,320                           | 5,286                          | 5,051            | 235   | -   |
| Natural Resources  | 26,419                          | 26,201                         | 25,983           | 218   | 422                                       |
| Personnel & Administration   | 5,619                           | 5,149                          | 4,819            | 330   | 288                                       |
| Public Health and Environment  | 27,541                          | 27,461                         | 27,385           | 76  | 63  |
| Public Safety  | 80,878                          | 82,315                         | 80,403           | 1,912   | 78  |
| Regulatory Agencies  | 1,510                           | 1,510                          | 1,502            | 8   | -   |
| Revenue  | 190,008                         | 170,661                        | 161,218          | 9,443   | 594                                       |
| State  | -                               | -                              | -                | -   | 50  |
| Treasury   | 2,550                           | 5,974                          | 5,715            | 259   | -   |
| <b>TOTAL ACTUAL BUDGET AND EXPENDITURES</b>  | <b>7,575,316</b>                | <b>6,940,993</b>               | <b>6,921,603</b> | <b>\$ 19,390</b>                                  | <b>\$ 6,741</b>                           |
| Variance Between Actual and Estimated Budgets  | (459,316)                       | (5,893)                        | -                |   |   |
| <b>TOTAL ESTIMATED BUDGET</b>  | <b>7,116,000</b>                | <b>6,935,100</b>               | <b>6,921,603</b> |   |   |
| <b>EXCESS GENERAL REVENUES OVER (UNDER)<br/>GENERAL FUNDED EXPENDITURES</b>          | <b>(23,300)</b>                 | <b>205,000</b>                 | <b>164,215</b>   |   |   |
| <b>EXCESS AUGMENTING REVENUES</b>  |                                 |                                | <b>6,741</b>     |   |   |
| <b>TRANSFERS (Not Appropriated By Department):</b>                                   |                                 |                                |                  |   |   |
| Transfers-In From Various Cash Funds   | 44,900                          | 159,300                        | 158,087          |   |   |
| Transfer-Out For the Older Coloradans Act  | (8,000)                         | (8,000)                        | (8,000)          |   |   |
| Transfer-Out to Capital Projects - General Fund                                      | (8,600)                         | (12,000)                       | (11,985)         |   |   |
| Transfer to State Education Fund Per C.R.S. 24-75-201.1                              | -                               | (257,500)                      | (221,372)        |   |   |
| Transfer to Public School Fund Per C.R.S. 24-75-201.1                                | -                               | (67,500)                       | (67,500)         |   |   |
| <b>TOTAL TRANSFERS</b>   | <b>28,300</b>                   | <b>(185,700)</b>               | <b>(150,770)</b> |   |   |
| <b>EXCESS REVENUES AND TRANSFERS OVER(UNDER)<br/>BUDGET BASIS EXPENDITURES</b>       | <b>5,000</b>                    | <b>19,300</b>                  | <b>20,186</b>    |   |   |
| <b>BEGINNING GENERAL FUND SURPLUS</b>  | <b>(74,500)</b>                 | <b>4,800</b>                   | <b>4,793</b>     |   |   |
| Release of Prior Year Statutory Reserve (2%)   | 132,600                         | 132,600                        | 132,628          |   |   |
| Establish Current Year Statutory Reserve (4.0% reduced to 2.3%)                      | (277,600)                       | (156,700)                      | (156,648)        |   |   |
| GAAP Revenues/(Expenditures) Not Budgeted  |                                 |                                | 12,878           |   |   |
| Contractually Restricted Energy Performance Leases                                   |                                 |                                | (10,281)         |   |   |
| Prior Period Adjustment (see Note 29)  |                                 |                                | (3,556)          |   |   |
| <b>ENDING GENERAL FUND SURPLUS</b>   | <b>\$ (214,500)</b>             | <b>\$ -</b>                    | <b>-</b>         |   |   |
| <b>ADJUSTMENTS TO BUDGETED REVENUE AND EXPENDITURES FOR GAAP FUND BALANCE:</b>       |                                 |                                |                  |   |   |
| GAAP Medicaid Expenditures Deferred to Fiscal Year 2011-12 for Budget                |                                 |                                | (166,667)        |   |   |
| GAAP Payroll Expenditures Deferred to Fiscal Year 2011-12 for Budget                 |                                 |                                | (86,363)         |   |   |
| GAAP Information Technology Expenditures Deferred to Fiscal Year 2011-12 for Budget  |                                 |                                | (1,288)          |   |   |
| GAAP Revenues Related to Deferred Medicaid Payroll and Medicaid Program Expenditures |                                 |                                | 101,264          |   |   |
| <b>GAAP FUND BALANCE NOT AVAILABLE FOR GENERAL FUND SURPLUS:</b>                     |                                 |                                |                  |   |   |
| Fair Value of Investments in Excess of Cost  |                                 |                                | 11,860           |   |   |
| Restricted   |                                 |                                | 10,282           |   |   |
| Committed  |                                 |                                | 6,590            |   |   |
| Assigned   |                                 |                                | 109              |   |   |
| Shortfall in GAAP Basis Statutory Reserve  |                                 |                                | 156,648          |   |   |
| <b>ENDING GAAP GENERAL PURPOSE REVENUE FUND BALANCE</b>                              |                                 |                                | <b>\$ 32,435</b> |   |   |

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

## NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

### NOTE RSI-1 – BUDGETARY INFORMATION

#### A. BUDGETARY BASIS

The three budget-to-actual schedules show revenues and expenditures that are legislatively appropriated or otherwise legally authorized (see pages 157 to 160). These schedules are presented in the budgetary fund structure discussed below. Higher Education Institution funds, with the exception of the amounts included in the Long Appropriations Act as limitations on the earning of certain cash revenues, are excluded from these schedules.

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

Eliminations of transfers and intrafund transactions are not made in the budgetary funds if those transactions are under budgetary control. Thus, revenues and expenditures in these funds are shown at their gross amounts. This results in significant duplicate recording of revenues and expenditures. An expenditure of one budgetary fund may be shown as a transfer-in or revenue in another budgetary fund and then be shown again as an expenditure in the second fund.

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

- ♦ Payments to employees for time worked in June of each fiscal year are made on the first working day of the following month; for general-funded appropriations those payments are reported as expenditures in the following fiscal year.
- ♦ Certain payments by state agencies to the Office of Information Technology for information technology services purchased in June using general-funded appropriations are reported as expenditures in the following fiscal year.

- ♦ Medicaid services claims are reported as expenditures only when the Department of Health Care Policy and Financing requests payment by the State Controller for medical services premiums under the Colorado Medical Services Act or for medical service provided by the Department of Human Services under the Colorado Medical Services Act. Similar treatment is afforded to nonadministrative expenditures that qualify for federal participation under Title XIX of the federal Social Security Act except for medically indigent program expenditures. In most years, this results in the Department of Health Care Policy and Financing excluding expenditures accrued for services provided but not yet billed. However, in the prior year, as allowed in Colorado Revised Statutes 25.5-4-401(1)(c), the Director of the Office of State Planning and Budgeting and the State Controller authorized the Department to interrupt the normal provider payment schedule for the last two weeks of June. For purposes of the budget, delaying the payments until July 1, 2010 resulted in those expenditures being recognized for budget purposes in Fiscal Year 2010-11. The Department estimated the expenditures at \$28.1 million.
- ♦ Expenditures of the fiscal year in the following three categories that have not been paid at June 30 are reported in the following year: Old Age Pension Health and Medical Care program costs; state contributions required by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003; and financial administration costs of any non-administrative expenditure under the Children's Basic Health Plan.
- ♦ Unrealized gains and losses on investments are not recognized as changes in revenue on the budgetary basis.

#### B. BUDGETARY PROCESS

The financial operations of the legislative, judicial, and executive branches of State government, with the exception of custodial funds and federal moneys not requiring matching State funds, are controlled by annual appropriations made by the General Assembly. The Department of Transportation's portion of the Highway Fund is appropriated to the State Transportation Commission. Within the legislative appropriation, the Commission may appropriate the specific projects and other operations of the department. In addition, the Commission may appropriate available fund balance from its portion of the Highway Fund.

The total legislative appropriation is constitutionally limited to the unrestricted funds held at the beginning of the year plus revenues estimated to be received during the year as determined by the budgetary basis of accounting. The original appropriation by the General Assembly in the Long Appropriations Act segregates the budget of the State into its operating and capital components. The majority of the capital budgets are accounted for in the Capital Projects Fund, with the primary exception being budgeted capital funds used for infrastructure.

The Governor has line item veto authority over the Long Appropriations Act, but the General Assembly may override each individual line item veto by a two-thirds majority vote in each house.

Most general and cash funded appropriations, with the exception of capital projects, lapse at year-end unless specifically required by the General Assembly or executive action is taken to rollforward all or part of the remaining unspent budget authority. Appropriations that meet the strict criteria for rollforward are reported in Note 41. Since capital projects appropriations are generally available for three years after appropriation, significant amounts of the capital budgets remain unexpended at fiscal year-end. Cash funded highway construction, maintenance and operations in the Department of Transportation are appropriated as operating budgets, but remains available in future years through action of the Transportation Commission. In Fiscal Year 2010-11, the Department of Transportation capitalized a project expenditures of \$327.1 million from all funding sources.

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

On the three budget-to-actual schedules, the column titled Original Appropriation consists of the Long Appropriations Act including anticipated federal funds, special bills, and estimates of statutorily authorized appropriations. The column titled Final Spending Authority includes the original appropriation, federal funds actually awarded if no General Fund matching funds are required, supplemental appropriations of the Legislature, statutorily authorized appropriations, and other miscellaneous budgetary items.

### C. OVEREXPENDITURES

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

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

### D. BUDGET TO GAAP RECONCILIATION

The *Reconciling Schedule – All Budget Fund Types to All GAAP Fund Types* (see page 162) shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (see pages 157 to 160) relate to the change in fund balances/net assets for the funds presented in the fund-level statements (see pages 48 to 65).

Certain expenditures on a generally accepted accounting principle (GAAP) basis, such as bad debt expense and depreciation, are not budgeted by the General Assembly. In addition, certain General Purpose Revenue Fund payroll disbursements for employee time worked in June, June general-funded purchases of service from the Office of Information Technology, Medicaid and certain other assistance program payments (see Section A above) accrued but not paid by June 30, are excluded from the budget and from budget basis expenditures. These expenditures are not shown on the budget-to-actual schedules but are included in the budget-to-actual reconciliation schedule as “GAAP Expenditures Not Budgeted”. Some transactions considered expenditures for budgetary purposes, such as loan disbursements and capital purchases in proprietary fund types, are not expenditures on a GAAP basis. These expenditures are shown as "Budgeted Non-GAAP Expenditures."

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

The inclusion of these revenues and expenditures and the change in nonbudgeted funds along with the balances

from the budget-to-actual statements is necessary to reconcile to the GAAP fund balance.

#### **E. OUTSTANDING ENCUMBRANCES**

The State uses encumbrance accounting as an extension of formal budget implementation in most funds except certain fiduciary funds, and certain Higher Education Institutions Funds. Under this procedure, purchase orders and contracts for expenditures of money are recorded to reserve an equivalent amount of the related appropriation. Encumbrances do not constitute expenditures or liabilities. They lapse at year-end unless specifically brought forward to the subsequent year.



**NOTE RSI-2 – SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS**

As required by GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the following is the State’s Schedule of Funding Progress for its other post-employment benefit plans.

Under the standard, the State must disclose the funding progress of the other postemployment benefit plans for the most recent and two preceding actuarial valuations.

In Fiscal Year 2010-11 the University of Colorado had several factors impacting its funding progress. Deductibles of \$250/\$750 were implemented for some individual/family coverage, certain lifetime maximums were extended to unlimited, and some preventative service copays were eliminated. Termination and participation rates were updated, and the discount rate was reduced to 4.5 percent. In addition the Fiscal Year 2010-11 increase in the Unfunded Actuarial Accrued Liability reflects a \$46.2 million correction of the prior years’ actuarial valuation.

See Note 19 on page 109 for additional information regarding the plans listed in the schedule.

| Fiscal Year                | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Liability (AAL) (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll <sup>1</sup> (c) | UAAAL as a Percentage of Covered Payroll <sup>1</sup> ((b-a)/c) |
|----------------------------|--------------------------|-------------------------------|-------------------------------|-----------------------------|--------------------|----------------------------------|---|
| University of Colorado:    |                          |                               |                               |                             |                    |                                  |   |
| 2010-11                    | 7/1/2010                 | -                             | \$ 343,144,000                | \$ 343,144,000              | 0.0%               | \$ 1,023,525,000                 | 33.5%   |
| 2009-10                    | 7/1/2008                 | -                             | \$ 196,714,735                | \$ 196,714,735              | 0.0%               | \$ 944,167,317                   | 20.8%   |
| 2008-09                    | 7/1/2008                 | -                             | \$ 196,714,735                | \$ 196,714,735              | 0.0%               | \$ 898,898,961                   | 21.9%   |
| 2007-08                    | 7/1/2007                 | -                             | \$ 195,972,332                | \$ 195,972,332              | 0.0%               | \$ 831,242,265                   | 23.6%   |
| Colorado State University: |                          |                               |                               |                             |                    |                                  |   |
| RMPR                       |                          |                               |                               |                             |                    |                                  |   |
| 2010-11                    | 1/1/2011                 | -                             | \$ 28,917,402                 | \$ 28,917,402               | 0.0%               | \$ 248,227,800                   | 11.6%   |
| <i>Restated</i> 2009-10    | 1/1/2009                 | -                             | \$ 25,187,719                 | \$ 25,187,719               | 0.0%               | \$ 235,974,968                   | 10.7%   |
| 2008-09                    | 1/1/2009                 | -                             | \$ 25,187,719                 | \$ 25,187,719               | 0.0%               | \$ 238,826,606                   | 10.5%   |
| 2007-08                    | 1/1/2007                 | -                             | \$ 22,079,791                 | \$ 22,079,791               | 0.0%               | \$ 199,793,625                   | 11.1%   |
| RMPS                       |                          |                               |                               |                             |                    |                                  |   |
| 2010-11                    | 1/1/2011                 | -                             | \$ 53,177,425                 | \$ 53,177,425               | 0.0%               | N/A                              | N/A   |
| 2009-10                    | 1/1/2009                 | -                             | \$ 55,863,780                 | \$ 55,863,780               | 0.0%               | N/A                              | N/A   |
| 2008-09                    | 1/1/2009                 | -                             | \$ 54,271,314                 | \$ 54,271,314               | 0.0%               | N/A                              | N/A   |
| 2007-08                    | 1/1/2008                 | -                             | \$ 54,012,423                 | \$ 54,012,423               | 0.0%               | N/A                              | N/A   |
| URX                        |                          |                               |                               |                             |                    |                                  |   |
| 2010-11                    | 1/1/2011                 | -                             | \$ 2,832,107                  | \$ 2,832,107                | 0.0%               | N/A                              | N/A   |
| <i>Restated</i> 2009-10    | 1/1/2011                 | -                             | \$ 2,822,691                  | \$ 2,822,691                | 0.0%               | N/A                              | N/A   |
| 2008-09                    | 1/1/2009                 | -                             | \$ 2,899,120                  | \$ 2,899,120                | 0.0%               | N/A                              | N/A   |
| 2007-08                    | 1/1/2008                 | -                             | \$ 4,267,306                  | \$ 4,267,306                | 0.0%               | N/A                              | N/A   |
| LTD                        |                          |                               |                               |                             |                    |                                  |   |
| 2010-11                    | 1/1/2011                 | -                             | \$ 13,017,464                 | \$ 13,017,464               | 0.0%               | N/A                              | N/A   |
| <i>Restated</i> 2009-10    | 1/1/2011                 | -                             | \$ 12,300,594                 | \$ 12,300,594               | 0.0%               | N/A                              | N/A   |
| 2008-09                    | 1/1/2009                 | -                             | \$ 12,218,851                 | \$ 12,218,851               | 0.0%               | N/A                              | N/A   |
| 2007-08                    | 1/1/2008                 | -                             | \$ 10,209,899                 | \$ 10,209,899               | 0.0%               | N/A                              | N/A   |

<sup>1</sup> –The CSU-RMPS, CSU-URX, and CSU-LTD plans’ benefits are not based on salaries or covered payroll.



**SUPPLEMENTARY INFORMATION**

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## GENERAL FUND COMPONENTS

**GENERAL PURPOSE REVENUE**

This fund is the general operating fund for State operations and is used unless another fund has been established for a particular activity. The fund consists of general purpose revenues from various tax collections the largest being income and sales taxes.

**SPECIAL PURPOSE REVENUE**

The State Public School fund is a statutory fund that distributes substantially all of its revenue to school districts each year, most of the funds' resources are transfers into the fund from the General Purpose Revenue Fund.

The Risk Management fund accounts for the State's liability, property, and worker's compensation insurance activities; its revenues are primarily from charges to State agencies.

The Other Special Purpose Fund comprises all other funds without sufficient original source revenues to qualify as Special Revenue Funds. Included in this category is the Building Excellent Schools Tomorrow (BEST) program that provides grants and funds for public school construction, Lottery proceeds held by the Division of Parks for parks and outdoor recreation projects, the Charter School Institute, as well as over thirty smaller funds.

**COMBINING BALANCE SHEET  
GENERAL FUND COMPONENTS  
JUNE 30, 2011**

| (DOLLARS IN THOUSANDS)                     | GENERAL<br>PURPOSE<br>REVENUE | SPECIAL PURPOSE FUNDS     |                    |                             | TOTAL               |
|--|-------------------------------|---------------------------|--------------------|-----------------------------|---------------------|
|  |                               | STATE<br>PUBLIC<br>SCHOOL | RISK<br>MANAGEMENT | OTHER<br>SPECIAL<br>PURPOSE |                     |
| <b>ASSETS:</b>                             |                               |                           |                    |                             |                     |
| Cash and Pooled Cash                       | \$ 173,588                    | \$ 1,562                  | \$ 16,849          | \$ 20,361                   | \$ 212,360          |
| Taxes Receivable, net                      | 1,065,527                     | -                         | -                  | -                           | 1,065,527           |
| Other Receivables, net                     | 44,312                        | -                         | 49                 | 351                         | 44,712              |
| Due From Other Governments                 | 463,517                       | 4,645                     | -                  | 9                           | 468,171             |
| Due From Other Funds                       | 39,924                        | 68,244                    | -                  | 16,838                      | 125,006             |
| Due From Component Units                   | 62                            | -                         | -                  | -                           | 62                  |
| Inventories                                | 4,318                         | -                         | -                  | 4,424                       | 8,742               |
| Prepays, Advances, and Deferred Charges    | 32,604                        | -                         | 270                | 134                         | 33,008              |
| <b>Restricted Assets:</b>                  |                               |                           |                    |                             |                     |
| Restricted Cash and Pooled Cash            | -                             | 49,943                    | -                  | 137,182                     | 187,125             |
| Restricted Investments                     | -                             | -                         | -                  | 284,059                     | 284,059             |
| Restricted Receivables                     | -                             | -                         | -                  | 184                         | 184                 |
| Investments                                | 6,578                         | -                         | -                  | -                           | 6,578               |
| <b>TOTAL ASSETS</b>                        | <b>\$ 1,830,430</b>           | <b>\$ 124,394</b>         | <b>\$ 17,168</b>   | <b>\$ 463,542</b>           | <b>\$ 2,435,534</b> |
| <b>LIABILITIES:</b>                        |                               |                           |                    |                             |                     |
| Tax Refunds Payable                        | \$ 615,164                    | \$ -                      | \$ -               | \$ -                        | \$ 615,164          |
| Accounts Payable and Accrued Liabilities   | 519,499                       | 19                        | 3,746              | 10,002                      | 533,266             |
| TABOR Refund Liability (Note 8B)           | 706                           | -                         | -                  | -                           | 706                 |
| Due To Other Governments                   | 56,451                        | -                         | -                  | 15,893                      | 72,344              |
| Due To Other Funds                         | 316,277                       | -                         | 158                | 1,404                       | 317,839             |
| Deferred Revenue                           | 281,924                       | 3,463                     | -                  | 5                           | 285,392             |
| Compensated Absences Payable               | 47                            | -                         | -                  | -                           | 47                  |
| Claims and Judgments Payable               | 314                           | -                         | -                  | -                           | 314                 |
| Other Current Liabilities                  | 7,604                         | -                         | -                  | 2                           | 7,606               |
| Deposits Held In Custody For Others        | 9                             | -                         | -                  | -                           | 9                   |
| <b>TOTAL LIABILITIES</b>                   | <b>1,797,995</b>              | <b>3,482</b>              | <b>3,904</b>       | <b>27,306</b>               | <b>1,832,687</b>    |
| <b>TOTAL NET ASSETS</b>                    | <b>\$ 32,435</b>              | <b>\$ 120,912</b>         | <b>\$ 13,264</b>   | <b>\$ 436,236</b>           | <b>\$ 602,847</b>   |
| <b>FUND BALANCES:</b>                      |                               |                           |                    |                             |                     |
| <b>Nonspendable:</b>                       |                               |                           |                    |                             |                     |
| Inventories                                | 4,318                         | -                         | -                  | 4,424                       | 8,742               |
| Prepays                                    | 32,604                        | 1                         | 270                | 134                         | 33,009              |
| Restricted                                 | 10,282                        | 119,370                   | -                  | 413,345                     | 542,997             |
| Committed                                  | 6,590                         | 1,541                     | 12,994             | 18,333                      | 39,458              |
| Assigned                                   | 109                           | -                         | -                  | -                           | 109                 |
| Unassigned                                 | (21,468)                      | -                         | -                  | -                           | (21,468)            |
| <b>TOTAL FUND BALANCES</b>                 | <b>32,435</b>                 | <b>120,912</b>            | <b>13,264</b>      | <b>436,236</b>              | <b>602,847</b>      |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 1,830,430</b>           | <b>\$ 124,394</b>         | <b>\$ 17,168</b>   | <b>\$ 463,542</b>           | <b>\$ 2,435,534</b> |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GENERAL FUND COMPONENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

| (DOLLARS IN THOUSANDS)                              | GENERAL<br>PURPOSE<br>REVENUE | SPECIAL PURPOSE FUNDS      |                    |                             | TOTAL             |
|---|-------------------------------|----------------------------|--------------------|-----------------------------|-------------------|
|   |                               | STATE<br>PUBLIC<br>SCHOOLS | RISK<br>MANAGEMENT | OTHER<br>SPECIAL<br>PURPOSE |                   |
| <b>REVENUES:</b>                                    |                               |                            |                    |                             |                   |
| Taxes:  |                               |                            |                    |                             |                   |
| Individual and Fiduciary Income                     | \$ 4,153,913                  | \$ -                       | \$ -               | \$ -                        | \$ 4,153,913      |
| Corporate Income                                    | 365,558                       | -                          | -                  | -                           | 365,558           |
| Sales and Use                                       | 2,233,521                     | -                          | -                  | -                           | 2,233,521         |
| Excise  | 89,544                        | -                          | -                  | -                           | 89,544            |
| Other Taxes   | 190,140                       | -                          | -                  | -                           | 190,140           |
| Licenses, Permits, and Fines                        | 20,339                        | -                          | -                  | 1,448                       | 21,787            |
| Charges for Goods and Services                      | 30,911                        | -                          | 41,929             | -                           | 72,840            |
| Rents   | 393                           | -                          | -                  | 16                          | 409               |
| Investment Income (Loss)                            | 6,500                         | 16                         | 373                | 6,763                       | 13,652            |
| Federal Grants and Contracts                        | 5,833,725                     | -                          | -                  | 4,803                       | 5,838,528         |
| Other   | 115,358                       | 7,164                      | 690                | 4,053                       | 127,265           |
| <b>TOTAL REVENUES</b>                               | <b>13,039,902</b>             | <b>7,180</b>               | <b>42,992</b>      | <b>17,083</b>               | <b>13,107,157</b> |
| <b>EXPENDITURES:</b>                                |                               |                            |                    |                             |                   |
| Current:  |                               |                            |                    |                             |                   |
| General Government                                  | 433,627                       | -                          | 51,722             | 4,032                       | 489,381           |
| Business, Community, and Consumer Affairs           | 211,876                       | -                          | -                  | 2,856                       | 214,732           |
| Education   | 717,552                       | 138                        | -                  | 2,746                       | 720,436           |
| Health and Rehabilitation                           | 491,707                       | -                          | -                  | 770                         | 492,477           |
| Justice   | 1,187,343                     | -                          | -                  | -                           | 1,187,343         |
| Natural Resources                                   | 57,976                        | -                          | -                  | 3,852                       | 61,828            |
| Social Assistance                                   | 5,456,068                     | -                          | -                  | 66                          | 5,456,134         |
| Capital Outlay                                      | 30,748                        | -                          | -                  | 80,781                      | 111,529           |
| Intergovernmental:                                  |                               |                            |                    |                             |                   |
| Cities  | 31,253                        | -                          | -                  | 31,319                      | 62,572            |
| Counties  | 1,159,964                     | -                          | -                  | 10,542                      | 1,170,506         |
| School Districts                                    | 961,349                       | 2,881,165                  | -                  | 64,070                      | 3,906,584         |
| Special Districts                                   | 32,506                        | -                          | -                  | 13,423                      | 45,929            |
| Federal   | 337                           | -                          | -                  | -                           | 337               |
| Other   | 35,679                        | -                          | -                  | 333                         | 36,012            |
| Debt Service  | 4,021                         | -                          | -                  | 5,904                       | 9,925             |
| <b>TOTAL EXPENDITURES</b>                           | <b>10,812,006</b>             | <b>2,881,303</b>           | <b>51,722</b>      | <b>220,694</b>              | <b>13,965,725</b> |
| <b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b> | <b>2,227,896</b>              | <b>(2,874,123)</b>         | <b>(8,730)</b>     | <b>(203,611)</b>            | <b>(858,568)</b>  |
| <b>OTHER FINANCING SOURCES (USES):</b>              |                               |                            |                    |                             |                   |
| Transfers-In  | 1,064,569                     | 3,010,486                  | -                  | 178,369                     | 4,253,424         |
| Transfers-Out                                       | (3,275,690)                   | (48,126)                   | (1,166)            | (16,881)                    | (3,341,863)       |
| Face Amount of Bond/COP Issuance                    | -                             | -                          | -                  | 217,530                     | 217,530           |
| Bond/COP Premium/Discount                           | -                             | -                          | -                  | 25                          | 25                |
| Capital Lease Proceeds                              | 13,698                        | -                          | -                  | -                           | 13,698            |
| Insurance Recoveries                                | 1,165                         | -                          | -                  | -                           | 1,165             |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>         | <b>(2,196,258)</b>            | <b>2,962,360</b>           | <b>(1,166)</b>     | <b>379,043</b>              | <b>1,143,979</b>  |
| <b>NET CHANGE IN FUND BALANCES</b>                  | <b>31,638</b>                 | <b>88,237</b>              | <b>(9,896)</b>     | <b>175,432</b>              | <b>285,411</b>    |
| <b>FUND BALANCE, FISCAL YEAR BEGINNING</b>          | <b>15,784</b>                 | <b>-</b>                   | <b>-</b>           | <b>-</b>                    | <b>15,784</b>     |
| Prior Period Adjustment (See Note 29)               | 8,602                         | -                          | (429)              | (220)                       | 7,953             |
| Accounting Changes (See Note 29)                    | (23,589)                      | 32,675                     | 23,589             | 261,024                     | 293,699           |
| <b>FUND BALANCE, FISCAL YEAR END</b>                | <b>\$ 32,435</b>              | <b>\$ 120,912</b>          | <b>\$ 13,264</b>   | <b>\$ 436,236</b>           | <b>\$ 602,847</b> |





## **CAPITAL PROJECTS FUND COMPONENTS**

### **REGULAR CAPITAL PROJECTS**

This fund accounts for projects transferred from the General Fund that are either fully or partially funded with general-purpose revenue, and may also include cash-funded projects.

### **SPECIAL CAPITAL PROJECTS**

This fund accounts for certain projects that are not funded with general-purpose revenue. This includes projects funded with the proceeds of certificates of participation such as the Colorado History Center and the Ralph L. Carr Justice Complex, federal projects in the Department of Military Affairs, Lottery-funded projects in the Department of Natural Resources, and several smaller projects.

**COMBINING BALANCE SHEET  
CAPITAL PROJECTS FUND COMPONENTS  
JUNE 30, 2011**

| (DOLLARS IN THOUSANDS)                     | REGULAR<br>CAPITAL<br>PROJECTS | SPECIAL<br>CAPITAL<br>PROJECTS | TOTAL             |
|--|--------------------------------|--------------------------------|-------------------|
| <b>ASSETS:</b>                             |                                |                                |                   |
| Cash and Pooled Cash                       | \$ 33,518                      | \$ 17,634                      | \$ 51,152         |
| Other Receivables, net                     | 131                            | 1                              | 132               |
| Due From Other Governments                 | 3,873                          | 218                            | 4,091             |
| Due From Other Funds                       | 13,711                         | -                              | 13,711            |
| Prepays, Advances, and Deferred Charges    | 10                             | 78                             | 88                |
| Restricted Cash and Pooled Cash            | 2,042                          | 8,180                          | 10,222            |
| Restricted Investments                     | -                              | 173,053                        | 173,053           |
| Restricted Receivables                     | -                              | 2,029                          | 2,029             |
| Investments                                | -                              | 9,214                          | 9,214             |
| Other Long-Term Assets                     | 102                            | -                              | 102               |
| <b>TOTAL ASSETS</b>                        | <b>\$ 53,387</b>               | <b>\$ 210,407</b>              | <b>\$ 263,794</b> |
| <b>LIABILITIES:</b>                        |                                |                                |                   |
| Accounts Payable and Accrued Liabilities   | \$ 24,851                      | \$ 17,079                      | \$ 41,930         |
| Due To Other Funds                         | 573                            | -                              | 573               |
| Deferred Revenue                           | -                              | 1,959                          | 1,959             |
| <b>TOTAL LIABILITIES</b>                   | <b>25,424</b>                  | <b>19,038</b>                  | <b>44,462</b>     |
| <b>FUND BALANCES:</b>                      |                                |                                |                   |
| Nonspendable:                              |                                |                                |                   |
| Prepays                                    | 10                             | 78                             | 88                |
| Restricted                                 | 2,042                          | 183,321                        | 185,363           |
| Committed                                  | 25,911                         | 7,970                          | 33,881            |
| <b>TOTAL FUND BALANCES</b>                 | <b>27,963</b>                  | <b>191,369</b>                 | <b>219,332</b>    |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 53,387</b>               | <b>\$ 210,407</b>              | <b>\$ 263,794</b> |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
CAPITAL PROJECT FUND COMPONENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

| (DOLLARS IN THOUSANDS)                              | REGULAR<br>CAPITAL<br>PROJECTS | SPECIAL<br>CAPITAL<br>PROJECTS | TOTAL             |
|---|--------------------------------|--------------------------------|-------------------|
| <b>REVENUES:</b>                                    |                                |                                |                   |
| Licenses, Permits, and Fines                        | 10                             | -                              | 10                |
| Investment Income (Loss)                            | (1,573)                        | 4,742                          | 3,169             |
| Federal Grants and Contracts                        | 24,614                         | 9,237                          | 33,851            |
| Other   | 208                            | 2,028                          | 2,236             |
| <b>TOTAL REVENUES</b>                               | <b>23,259</b>                  | <b>16,007</b>                  | <b>39,266</b>     |
| <b>EXPENDITURES:</b>                                |                                |                                |                   |
| Current:  |                                |                                |                   |
| General Government                                  | 10,311                         | 1,852                          | 12,163            |
| Business, Community, and Consumer Affairs           | 1                              | -                              | 1                 |
| Education   | 6,590                          | 1,174                          | 7,764             |
| Health and Rehabilitation                           | 650                            | -                              | 650               |
| Justice   | 4,838                          | 3,257                          | 8,095             |
| Natural Resources                                   | 701                            | 1,764                          | 2,465             |
| Social Assistance                                   | 461                            | -                              | 461               |
| Capital Outlay                                      | 50,909                         | 132,603                        | 183,512           |
| Intergovernmental:                                  |                                |                                |                   |
| Cities  | 6                              | 179                            | 185               |
| Counties  | 10                             | 136                            | 146               |
| Other   | 1,532                          | 479                            | 2,011             |
| <b>TOTAL EXPENDITURES</b>                           | <b>76,009</b>                  | <b>141,444</b>                 | <b>217,453</b>    |
| <b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b> | <b>(52,750)</b>                | <b>(125,437)</b>               | <b>(178,187)</b>  |
| <b>OTHER FINANCING SOURCES (USES):</b>              |                                |                                |                   |
| Transfers-In  | 40,204                         | 18,868                         | 59,072            |
| Transfers-Out                                       | (21,511)                       | (28,447)                       | (49,958)          |
| Capital Lease Proceeds                              | -                              | 2,950                          | 2,950             |
| Insurance Recoveries                                | 389                            | -                              | 389               |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>         | <b>19,082</b>                  | <b>(6,629)</b>                 | <b>12,453</b>     |
| <b>NET CHANGE IN FUND BALANCES</b>                  | <b>(33,668)</b>                | <b>(132,066)</b>               | <b>(165,734)</b>  |
| <b>FUND BALANCE, FISCAL YEAR BEGINNING</b>          | <b>385,059</b>                 | <b>-</b>                       | <b>385,059</b>    |
| Prior Period Adjustment (See Note 29)               | -                              | 7                              | 7                 |
| Accounting Changes (See Note 29)                    | (323,428)                      | 323,428                        | -                 |
| <b>FUND BALANCE, FISCAL YEAR END</b>                | <b>\$ 27,963</b>               | <b>\$ 191,369</b>              | <b>\$ 219,332</b> |



## **OTHER GOVERNMENTAL FUNDS**

The following statements present the combining balance sheet for Other Governmental Funds comprising Special Revenue, Debt Service, and Permanent funds.

**COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
JUNE 30, 2011**

| (DOLLARS IN THOUSANDS)                     | SPECIAL<br>REVENUE  | DEBT<br>SERVICE  | PERMANENT         | TOTAL               |
|--|---------------------|------------------|-------------------|---------------------|
| <b>ASSETS:</b>                             |                     |                  |                   |                     |
| Cash and Pooled Cash                       | \$ 760,278          | \$ -             | \$ -              | \$ 760,278          |
| Taxes Receivable, net                      | 39,235              | -                | -                 | 39,235              |
| Other Receivables, net                     | 70,019              | -                | 8,588             | 78,607              |
| Due From Other Governments                 | 12,907              | 341              | 8                 | 13,256              |
| Due From Other Funds                       | 5,846               | -                | 3,478             | 9,324               |
| Inventories                                | 179                 | -                | -                 | 179                 |
| Prepays, Advances, and Deferred Charges    | 3,328               | -                | 3                 | 3,331               |
| Restricted Cash and Pooled Cash            | 44,395              | 218              | 127,717           | 172,330             |
| Restricted Investments                     | 76,655              | -                | 519,072           | 595,727             |
| Restricted Receivables                     | -                   | -                | -                 | -                   |
| Investments                                | 71,223              | 9,568            | -                 | 80,791              |
| Other Long-Term Assets                     | 17,547              | -                | 5,560             | 23,107              |
| Land and Nondepreciable Infrastructure     | 81                  | -                | 17,081            | 17,162              |
| <b>TOTAL ASSETS</b>                        | <b>\$ 1,101,693</b> | <b>\$ 10,127</b> | <b>\$ 681,507</b> | <b>\$ 1,793,327</b> |
| <b>LIABILITIES:</b>                        |                     |                  |                   |                     |
| Tax Refunds Payable                        | \$ 146              | \$ -             | \$ -              | \$ 146              |
| Accounts Payable and Accrued Liabilities   | 53,262              | -                | 730               | 53,992              |
| Due To Other Governments                   | 20,702              | -                | 5                 | 20,707              |
| Due To Other Funds                         | 43,170              | -                | 7,163             | 50,333              |
| Deferred Revenue                           | 77,744              | -                | 5,199             | 82,943              |
| Claims and Judgments Payable               | 81                  | -                | -                 | 81                  |
| Other Current Liabilities                  | 2,641               | -                | -                 | 2,641               |
| Deposits Held In Custody For Others        | 5                   | -                | -                 | 5                   |
| <b>TOTAL LIABILITIES</b>                   | <b>197,751</b>      | <b>-</b>         | <b>13,097</b>     | <b>210,848</b>      |
| <b>FUND BALANCES:</b>                      |                     |                  |                   |                     |
| Nonspendable:                              |                     |                  |                   |                     |
| Inventories                                | 179                 | -                | -                 | 179                 |
| Permanent Fund Principal                   | -                   | -                | 658,883           | 658,883             |
| Prepays                                    | 3,328               | -                | 3                 | 3,331               |
| Restricted                                 | 244,199             | 10,127           | 8,017             | 262,343             |
| Committed                                  | 656,236             | -                | 1,507             | 657,743             |
| <b>TOTAL FUND BALANCES</b>                 | <b>903,942</b>      | <b>10,127</b>    | <b>668,410</b>    | <b>1,582,479</b>    |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 1,101,693</b> | <b>\$ 10,127</b> | <b>\$ 681,507</b> | <b>\$ 1,793,327</b> |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

| (DOLLARS IN THOUSANDS)                              | SPECIAL<br>REVENUE | DEBT<br>SERVICE  | PERMANENT         | TOTALS              |
|---|--------------------|------------------|-------------------|---------------------|
| <b>REVENUES:</b>                                    |                    |                  |                   |                     |
| Taxes:  |                    |                  |                   |                     |
| Sales and Use                                       | \$ 34,237          | \$ -             | \$ -              | \$ 34,237           |
| Excise  | 147,368            | -                | -                 | 147,368             |
| Other Taxes   | 147,033            | -                | -                 | 147,033             |
| Licenses, Permits, and Fines                        | 393,268            | -                | -                 | 393,268             |
| Charges for Goods and Services                      | 531,064            | -                | -                 | 531,064             |
| Rents   | 8,522              | -                | 118,168           | 126,690             |
| Investment Income (Loss)                            | 16,949             | 121              | 22,103            | 39,173              |
| Federal Grants and Contracts                        | 202,789            | -                | 8                 | 202,797             |
| Additions to Permanent Funds                        | -                  | -                | 460               | 460                 |
| Unclaimed Property Receipts                         | 40,446             | -                | -                 | 40,446              |
| Other   | 39,870             | -                | 13                | 39,883              |
| <b>TOTAL REVENUES</b>                               | <b>1,561,546</b>   | <b>121</b>       | <b>140,752</b>    | <b>1,702,419</b>    |
| <b>EXPENDITURES:</b>                                |                    |                  |                   |                     |
| Current:  |                    |                  |                   |                     |
| General Government                                  | 48,936             | -                | 287               | 49,223              |
| Business, Community, and Consumer Affairs           | 167,008            | -                | -                 | 167,008             |
| Education   | 18,295             | -                | 2                 | 18,297              |
| Health and Rehabilitation                           | 89,159             | -                | -                 | 89,159              |
| Justice   | 33,454             | -                | -                 | 33,454              |
| Natural Resources                                   | 15,658             | -                | 6,850             | 22,508              |
| Social Assistance                                   | 198,826            | -                | -                 | 198,826             |
| Transportation                                      | 1,442              | -                | -                 | 1,442               |
| Capital Outlay                                      | 5,557              | -                | 5                 | 5,562               |
| Intergovernmental:                                  |                    |                  |                   |                     |
| Cities  | 44,224             | -                | -                 | 44,224              |
| Counties  | 72,234             | -                | 99                | 72,333              |
| School Districts                                    | 8,897              | -                | -                 | 8,897               |
| Special Districts                                   | 7,041              | -                | -                 | 7,041               |
| Federal   | 1,482              | -                | -                 | 1,482               |
| Other   | 37,100             | -                | -                 | 37,100              |
| Debt Service  | 106                | 197,791          | -                 | 197,897             |
| <b>TOTAL EXPENDITURES</b>                           | <b>749,419</b>     | <b>197,791</b>   | <b>7,243</b>      | <b>954,453</b>      |
| <b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b> | <b>812,127</b>     | <b>(197,670)</b> | <b>133,509</b>    | <b>747,966</b>      |
| <b>OTHER FINANCING SOURCES (USES):</b>              |                    |                  |                   |                     |
| Transfers-In  | 36,051             | 203,704          | 300               | 240,055             |
| Transfers-Out                                       | (886,681)          | -                | (141,474)         | (1,028,155)         |
| Sale of Capital Assets                              | -                  | -                | 46                | 46                  |
| Insurance Recoveries                                | 60                 | -                | 5                 | 65                  |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>         | <b>(850,570)</b>   | <b>203,704</b>   | <b>(141,123)</b>  | <b>(787,989)</b>    |
| <b>NET CHANGE IN FUND BALANCES</b>                  | <b>(38,443)</b>    | <b>6,034</b>     | <b>(7,614)</b>    | <b>(40,023)</b>     |
| <b>FUND BALANCE, FISCAL YEAR BEGINNING</b>          | <b>1,049,680</b>   | <b>4,093</b>     | <b>674,285</b>    | <b>1,728,058</b>    |
| Prior Period Adjustment (See Note 29)               | (11,736)           | -                | -                 | (11,736)            |
| Accounting Changes (See Note 29)                    | (95,559)           | -                | 1,739             | (93,820)            |
| <b>FUND BALANCE, FISCAL YEAR END</b>                | <b>\$ 903,942</b>  | <b>\$ 10,127</b> | <b>\$ 668,410</b> | <b>\$ 1,582,479</b> |





## SPECIAL REVENUE FUNDS

|                                      |   |
|--------------------------------------|---|
| LABOR                                | This fund accounts for injured workers' medical benefits provided by statutes when the injury is not covered by workers' compensation benefits.   |
| GAMING                               | This fund accounts for operations of the Colorado Gaming Commission and its oversight of gaming operations in the State. It also accounts for the preservation activities of the Colorado Historical Society related to the revenues it receives from gaming.   |
| TOBACCO IMPACT MITIGATION            | This fund accounts for receipts directly from the tobacco litigation settlement, earnings on those funds, and the expenditures of programs funded by the tobacco master settlement agreement. In addition, it accounts for tax revenues received from an additional State tax on cigarettes and tobacco products approved by State voters in the 2004 general election and the expenditure of those tax revenues.   |
| RESOURCE MANAGEMENT                  | This fund accounts for receipts from licenses, rents, and fees related to managing the water, oil and gas, parks, and outdoor recreation resources of the State. Most of the related programs are managed by the Colorado Department of Natural Resources.  |
| ENVIRONMENT AND<br>HEALTH PROTECTION | This fund accounts for a large number of individual programs managed primarily by the Department of Public Health and Environment. The programs are primarily designed to regulate air, water, and other forms of pollution, control the spread of diseases, and regulate activities that impact the health of the citizens of Colorado.  |
| UNCLAIMED PROPERTY                   | This fund reports the escheats funds managed by the State Treasurer that are not held in trust for claimants. The receipts of the fund are from bank accounts, investment accounts, and insurance proceeds that are placed with the State when the owners of the assets cannot be located. Per statute, the owner's legal rights to the asset are protected in perpetuity; however, historically not all of the assets are claimed. The assets ultimately expected to be claimed and paid are reported as Net Assets Held In Trust in the Unclaimed Property Trust Fund, a nonmajor Fiduciary Fund. |
| OTHER SPECIAL REVENUE                | This fund category represents a collection of 217 individual active funds created in statute that have a wide variety of purposes. Funds in this category also have a broad diversity of revenue types. (See page 234 for a detail listing of these funds that have net assets in excess of \$200,000.)   |

**COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS  
JUNE 30, 2011**

(DOLLARS IN THOUSANDS)

|  | LABOR             | GAMING            | TOBACCO<br>IMPACT<br>MITIGATION | RESOURCE<br>MANAGEMENT |
|--|-------------------|-------------------|---------------------------------|------------------------|
| <b>ASSETS:</b>                             |                   |                   |                                 |                        |
| Cash and Pooled Cash                       | \$ 62,580         | \$ 113,359        | \$ 39,051                       | \$ 18,211              |
| Taxes Receivable, net                      | 12,946            | 10,679            | 12,435                          | -                      |
| Other Receivables, net                     | 1,565             | 519               | 44,751                          | 5,871                  |
| Due From Other Governments                 | 166               | -                 | 9,214                           | 875                    |
| Due From Other Funds                       | 158               | -                 | 3,864                           | 124                    |
| Inventories                                | -                 | -                 | -                               | 165                    |
| Prepays, Advances, and Deferred Charges    | -                 | 16                | 2                               | 1,639                  |
| Restricted Cash and Pooled Cash            | 17,345            | 23,915            | -                               | 3,135                  |
| Restricted Investments                     | 76,655            | -                 | -                               | -                      |
| Investments                                | 18,258            | -                 | -                               | -                      |
| Other Long-Term Assets                     | -                 | -                 | -                               | -                      |
| Land and Nondepreciable Infrastructure     | -                 | -                 | -                               | -                      |
| <b>TOTAL ASSETS</b>                        | <b>\$ 189,673</b> | <b>\$ 148,488</b> | <b>\$ 109,317</b>               | <b>\$ 30,020</b>       |
| <b>LIABILITIES:</b>                        |                   |                   |                                 |                        |
| Tax Refunds Payable                        | \$ -              | \$ -              | \$ -                            | \$ -                   |
| Accounts Payable and Accrued Liabilities   | 1,270             | 3,687             | 20,622                          | 2,951                  |
| Due To Other Governments                   | -                 | 19,614            | 293                             | 212                    |
| Due To Other Funds                         | 3,209             | 22,744            | 11,853                          | 84                     |
| Deferred Revenue                           | -                 | 564               | -                               | 2,291                  |
| Claims and Judgments Payable               | 70                | -                 | -                               | -                      |
| Other Current Liabilities                  | 148               | 11                | -                               | 11                     |
| Deposits Held In Custody For Others        | -                 | 4                 | -                               | -                      |
| <b>TOTAL LIABILITIES</b>                   | <b>4,697</b>      | <b>46,624</b>     | <b>32,768</b>                   | <b>5,549</b>           |
| <b>FUND BALANCES:</b>                      |                   |                   |                                 |                        |
| Nonspendable:                              |                   |                   |                                 |                        |
| Inventories                                | -                 | -                 | -                               | 165                    |
| Prepays                                    | -                 | 16                | 2                               | 1,639                  |
| Restricted                                 | 85,400            | 58,150            | 7,030                           | 2,084                  |
| Committed                                  | 99,576            | 43,698            | 69,517                          | 20,583                 |
| <b>TOTAL FUND BALANCES</b>                 | <b>184,976</b>    | <b>101,864</b>    | <b>76,549</b>                   | <b>24,471</b>          |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 189,673</b> | <b>\$ 148,488</b> | <b>\$ 109,317</b>               | <b>\$ 30,020</b>       |

| ENVIRONMENT<br>AND HEALTH<br>PROTECTION | UNCLAIMED<br>PROPERTY | OTHER<br>SPECIAL<br>REVENUE | TOTALS              |
|---|-----------------------|-----------------------------|---------------------|
| \$ 129,936                              | \$ 77,457             | \$ 319,684                  | \$ 760,278          |
| -                                       | -                     | 3,175                       | 39,235              |
| 7,213                                   | 374                   | 9,726                       | 70,019              |
| 1                                       | -                     | 2,651                       | 12,907              |
| 90                                      | -                     | 1,610                       | 5,846               |
| -                                       | -                     | 14                          | 179                 |
| -                                       | -                     | 1,671                       | 3,328               |
| -                                       | -                     | -                           | 44,395              |
| -                                       | -                     | -                           | 76,655              |
| -                                       | 52,965                | -                           | 71,223              |
| -                                       | -                     | 17,547                      | 17,547              |
| -                                       | -                     | 81                          | 81                  |
| <b>\$ 137,240</b>                       | <b>\$ 130,796</b>     | <b>\$ 356,159</b>           | <b>\$ 1,101,693</b> |

|               |              |               |                |
|---------------|--------------|---------------|----------------|
| \$ -          | \$ -         | \$ 146        | \$ 146         |
| 4,437         | 1,666        | 18,629        | 53,262         |
| -             | -            | 583           | 20,702         |
| 4,153         | 10           | 1,117         | 43,170         |
| 1,781         | 6            | 73,102        | 77,744         |
| -             | -            | 11            | 81             |
| -             | -            | 2,471         | 2,641          |
| -             | -            | 1             | 5              |
| <b>10,371</b> | <b>1,682</b> | <b>96,060</b> | <b>197,751</b> |

|                   |                   |                   |                     |
|-------------------|-------------------|-------------------|---------------------|
| -                 | -                 | 14                | 179                 |
| -                 | -                 | 1,671             | 3,328               |
| 11,270            | -                 | 80,265            | 244,199             |
| 115,599           | 129,114           | 178,149           | 656,236             |
| <b>126,869</b>    | <b>129,114</b>    | <b>260,099</b>    | <b>903,942</b>      |
| <b>\$ 137,240</b> | <b>\$ 130,796</b> | <b>\$ 356,159</b> | <b>\$ 1,101,693</b> |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
OTHER SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

(DOLLARS IN THOUSANDS)

|   | LABOR             | GAMING            | TOBACCO<br>IMPACT<br>MITIGATION | RESOURCE<br>MANAGEMENT |
|---|-------------------|-------------------|---------------------------------|------------------------|
| <b>REVENUES:</b>                                    |                   |                   |                                 |                        |
| Taxes:  |                   |                   |                                 |                        |
| Sales and Use                                       | \$ -              | \$ -              | \$ -                            | \$ -                   |
| Excise  | -                 | -                 | 145,104                         | -                      |
| Other Taxes   | 39,642            | 104,808           | -                               | -                      |
| Licenses, Permits, and Fines                        | 430               | 1,070             | 87,677                          | 21,342                 |
| Charges for Goods and Services                      | 200               | 365               | 428                             | 3,106                  |
| Rents   | -                 | 345               | -                               | 8,153                  |
| Investment Income (Loss)                            | 5,567             | 1,199             | 335                             | 305                    |
| Federal Grants and Contracts                        | -                 | 135               | 119,288                         | 1,678                  |
| Unclaimed Property Receipts                         | -                 | -                 | -                               | -                      |
| Other   | 450               | 1,368             | 796                             | 11,684                 |
| <b>TOTAL REVENUES</b>                               | <b>46,289</b>     | <b>109,290</b>    | <b>353,628</b>                  | <b>46,268</b>          |
| <b>EXPENDITURES:</b>                                |                   |                   |                                 |                        |
| Current:  |                   |                   |                                 |                        |
| General Government                                  | 235               | -                 | 47                              | -                      |
| Business, Community, and Consumer Affairs           | 20,276            | 36,172            | -                               | 120                    |
| Education   | -                 | 14,137            | 191                             | -                      |
| Health and Rehabilitation                           | -                 | 75                | 23,774                          | -                      |
| Justice   | -                 | -                 | -                               | -                      |
| Natural Resources                                   | -                 | -                 | -                               | 15,658                 |
| Social Assistance                                   | -                 | -                 | 185,375                         | -                      |
| Transportation                                      | -                 | -                 | -                               | -                      |
| Capital Outlay                                      | -                 | 25                | 64                              | 1,815                  |
| Intergovernmental:                                  |                   |                   |                                 |                        |
| Cities  | -                 | 17,261            | 1,190                           | 286                    |
| Counties  | 562               | 16,655            | 14,075                          | 385                    |
| School Districts                                    | -                 | 285               | 5,333                           | -                      |
| Special Districts                                   | -                 | 2,811             | -                               | -                      |
| Federal   | -                 | -                 | -                               | -                      |
| Other   | -                 | 1,231             | 5,305                           | 1,836                  |
| Debt Service  | -                 | -                 | -                               | -                      |
| <b>TOTAL EXPENDITURES</b>                           | <b>21,073</b>     | <b>88,652</b>     | <b>235,354</b>                  | <b>20,100</b>          |
| <b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b> | <b>25,216</b>     | <b>20,638</b>     | <b>118,274</b>                  | <b>26,168</b>          |
| <b>OTHER FINANCING SOURCES (USES):</b>              |                   |                   |                                 |                        |
| Transfers-In  | 900               | -                 | 20,437                          | 5,998                  |
| Transfers-Out                                       | (40,188)          | (39,448)          | (229,591)                       | (25,751)               |
| Insurance Recoveries                                | -                 | 8                 | -                               | 52                     |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>         | <b>(39,288)</b>   | <b>(39,440)</b>   | <b>(209,154)</b>                | <b>(19,701)</b>        |
| <b>NET CHANGE IN FUND BALANCES</b>                  | <b>(14,072)</b>   | <b>(18,802)</b>   | <b>(90,880)</b>                 | <b>6,467</b>           |
| <b>FUND BALANCE, FISCAL YEAR BEGINNING</b>          | <b>193,556</b>    | <b>92,231</b>     | <b>178,040</b>                  | <b>49,492</b>          |
| Prior Period Adjustment (See Note 29)               | -                 | (1,475)           | (11,607)                        | -                      |
| Accounting Changes (See Note 29)                    | 5,492             | 29,910            | 996                             | (31,488)               |
| <b>FUND BALANCE, FISCAL YEAR END</b>                | <b>\$ 184,976</b> | <b>\$ 101,864</b> | <b>\$ 76,549</b>                | <b>\$ 24,471</b>       |

| ENVIRONMENT<br>AND HEALTH<br>PROTECTION | UNCLAIMED<br>PROPERTY | OTHER<br>SPECIAL<br>REVENUE | TOTALS     |
|---|-----------------------|-----------------------------|------------|
| \$ -                                    | \$ -                  | \$ 34,237                   | \$ 34,237  |
| -                                       | -                     | 2,264                       | 147,368    |
| -                                       | -                     | 2,583                       | 147,033    |
| 39,982                                  | -                     | 242,767                     | 393,268    |
| 490,256                                 | -                     | 36,709                      | 531,064    |
| -                                       | -                     | 24                          | 8,522      |
| 2,497                                   | 2,989                 | 4,057                       | 16,949     |
| 277                                     | -                     | 81,411                      | 202,789    |
| -                                       | 40,446                | -                           | 40,446     |
| 309                                     | 3                     | 25,260                      | 39,870     |
| 533,321                                 | 43,438                | 429,312                     | 1,561,546  |
| -                                       | 31,916                | 16,738                      | 48,936     |
| -                                       | 634                   | 109,806                     | 167,008    |
| -                                       | -                     | 3,967                       | 18,295     |
| 37,138                                  | -                     | 28,172                      | 89,159     |
| 172                                     | -                     | 33,282                      | 33,454     |
| -                                       | -                     | -                           | 15,658     |
| 21                                      | -                     | 13,430                      | 198,826    |
| -                                       | -                     | 1,442                       | 1,442      |
| 346                                     | 90                    | 3,217                       | 5,557      |
| 630                                     | 10                    | 24,847                      | 44,224     |
| 2,050                                   | 223                   | 38,284                      | 72,234     |
| 130                                     | -                     | 3,149                       | 8,897      |
| 111                                     | 208                   | 3,911                       | 7,041      |
| 28                                      | -                     | 1,454                       | 1,482      |
| 899                                     | -                     | 27,829                      | 37,100     |
| -                                       | -                     | 106                         | 106        |
| 41,525                                  | 33,081                | 309,634                     | 749,419    |
| 491,796                                 | 10,357                | 119,678                     | 812,127    |
| 3,650                                   | -                     | 5,066                       | 36,051     |
| (478,492)                               | (2,031)               | (71,180)                    | (886,681)  |
| -                                       | -                     | -                           | 60         |
| (474,842)                               | (2,031)               | (66,114)                    | (850,570)  |
| 16,954                                  | 8,326                 | 53,564                      | (38,443)   |
| 110,757                                 | 119,627               | 305,977                     | 1,049,680  |
| 163                                     | -                     | 1,183                       | (11,736)   |
| (1,005)                                 | 1,161                 | (100,625)                   | (95,559)   |
| \$ 126,869                              | \$ 129,114            | \$ 260,099                  | \$ 903,942 |



## **PERMANENT FUNDS**

### STATE LANDS

This fund consists of the assets, liabilities, and operations related to lands granted to the State by the federal government for educational purposes. This fund also includes unclaimed assets from estates or trusts with unknown beneficiaries. Per statute, these assets become property of the State after 21 years.

### OTHER PERMANENT TRUST

This fund category represents several minor permanent funds including Wildlife for Future Generations Fund and the Veterans Monument Preservation Fund.

**COMBINING BALANCE SHEET  
PERMANENT FUNDS  
JUNE 30, 2011**

| (DOLLARS IN THOUSANDS)                     | STATE<br>LANDS    | OTHER           | TOTALS            |
|--|-------------------|-----------------|-------------------|
| <b>ASSETS:</b>                             |                   |                 |                   |
| Other Receivables, net                     | \$ 8,588          | \$ -            | \$ 8,588          |
| Due From Other Governments                 | -                 | 8               | 8                 |
| Due From Other Funds                       | 3,478             | -               | 3,478             |
| Prepays, Advances, and Deferred Charges    | 3                 | -               | 3                 |
| Restricted Cash and Pooled Cash            | 119,339           | 8,378           | 127,717           |
| Restricted Investments                     | 519,072           | -               | 519,072           |
| Other Long-Term Assets                     | 5,560             | -               | 5,560             |
| Capital Assets Held as Investments         | 17,081            | -               | 17,081            |
| <b>TOTAL ASSETS</b>                        | <b>\$ 673,121</b> | <b>\$ 8,386</b> | <b>\$ 681,507</b> |
| <b>LIABILITIES:</b>                        |                   |                 |                   |
| Accounts Payable and Accrued Liabilities   | \$ 720            | \$ 10           | \$ 730            |
| Due To Other Governments                   | 5                 | -               | 5                 |
| Due To Other Funds                         | 7,163             | -               | 7,163             |
| Deferred Revenue                           | 5,199             | -               | 5,199             |
| <b>TOTAL LIABILITIES</b>                   | <b>13,087</b>     | <b>10</b>       | <b>13,097</b>     |
| <b>FUND BALANCES:</b>                      |                   |                 |                   |
| Nonspendable:                              |                   |                 |                   |
| Permanent Fund Principal                   | 651,949           | 6,934           | 658,883           |
| Prepays                                    | 3                 | -               | 3                 |
| Restricted                                 | 8,014             | 3               | 8,017             |
| Committed                                  | 68                | 1,439           | 1,507             |
| <b>TOTAL FUND BALANCES</b>                 | <b>660,034</b>    | <b>8,376</b>    | <b>668,410</b>    |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 673,121</b> | <b>\$ 8,386</b> | <b>\$ 681,507</b> |



**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
PERMANENT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

| (DOLLARS IN THOUSANDS)                              | STATE<br>LANDS    | OTHER           | TOTALS            |
|---|-------------------|-----------------|-------------------|
| <b>REVENUES:</b>                                    |                   |                 |                   |
| Rents   | \$ 118,168        | \$ -            | \$ 118,168        |
| Investment Income (Loss)                            | 21,987            | 116             | 22,103            |
| Federal Grants and Contracts                        | -                 | 8               | 8                 |
| Additions to Permanent Funds                        | 460               | -               | 460               |
| Other   | 9                 | 4               | 13                |
| <b>TOTAL REVENUES</b>                               | <b>140,624</b>    | <b>128</b>      | <b>140,752</b>    |
| <b>EXPENDITURES:</b>                                |                   |                 |                   |
| Current:  |                   |                 |                   |
| General Government                                  | 285               | 2               | 287               |
| Education   | -                 | 2               | 2                 |
| Natural Resources                                   | 6,827             | 23              | 6,850             |
| Capital Outlay                                      | 5                 | -               | 5                 |
| Intergovernmental:                                  |                   |                 |                   |
| Counties  | 99                | -               | 99                |
| <b>TOTAL EXPENDITURES</b>                           | <b>7,216</b>      | <b>27</b>       | <b>7,243</b>      |
| <b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b> | <b>133,408</b>    | <b>101</b>      | <b>133,509</b>    |
| <b>OTHER FINANCING SOURCES (USES):</b>              |                   |                 |                   |
| Transfers-In  | 300               | -               | 300               |
| Transfers-Out                                       | (141,459)         | (15)            | (141,474)         |
| Sale of Capital Assets                              | 46                | -               | 46                |
| Insurance Recoveries                                | 5                 | -               | 5                 |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>         | <b>(141,108)</b>  | <b>(15)</b>     | <b>(141,123)</b>  |
| <b>NET CHANGE IN FUND BALANCES</b>                  | <b>(7,700)</b>    | <b>86</b>       | <b>(7,614)</b>    |
| <b>FUND BALANCE, FISCAL YEAR BEGINNING</b>          | <b>665,995</b>    | <b>8,290</b>    | <b>674,285</b>    |
| Accounting Changes (See Note 29)                    | 1,739             | -               | 1,739             |
| <b>FUND BALANCE, FISCAL YEAR END</b>                | <b>\$ 660,034</b> | <b>\$ 8,376</b> | <b>\$ 668,410</b> |



## OTHER ENTERPRISE FUNDS

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

|                             |  |
|-----------------------------|--|
| COLLEGEINVEST               | CollegeInvest's Prepaid Tuition Fund, which was established in 1997, provides an opportunity for saving for future college expenses at private and public colleges, universities, and vocational schools throughout the United States.   |
| WILDLIFE                    | Expenses of this fund are to preserve the State's wildlife and promote outdoor recreational activities, while revenues are from hunting and fishing license fees as well as various fines.   |
| COLLEGE ASSIST              | This fund records the activities of College Assist, which guarantees Colorado and certain nationwide loans made by private lending institutions in compliance with operating agreements with the U.S. Department of Education to students attending postsecondary schools. It also includes loan programs for Colorado residents that are not reinsured by the federal government. |
| STATE FAIR AUTHORITY        | The State Fair Authority operates the Colorado State Fair, and other events, at the State fairgrounds in Pueblo.   |
| CORRECTIONAL INDUSTRIES     | This activity reports the production and sale of manufactured goods and farm products that are produced by convicted criminals who are incarcerated in the State prison system.  |
| STATE NURSING HOMES         | This activity is for nursing home and retirement care provided to the elderly at the State facilities at Fitzsimons, Homelake, Walsenburg, Florence, and Rifle.  |
| PRISON CANTEENS             | This activity accounts for the various canteen operations in the State's prison system.  |
| PETROLEUM STORAGE TANK      | This activity accounts for grants, registration fees, environmental response surcharges, and penalties associated with the regulation and abatement of fire and safety issues related to above and underground petroleum storage tanks.  |
| TRANSPORTATION ENTERPRISE   | This fund consists of the Bridge Enterprise and the High Performance Transportation Enterprise in the Department of Transportation. The bridge and highway construction activity is financed through bond issuances and user fees. Before Fiscal Year 2010-11 these enterprises were reported as Other Enterprises.  |
| OTHER ENTERPRISE ACTIVITIES | The other enterprise activities of the State include the Business Enterprise Program, which is staffed by the visually impaired and manages food vending operations in State buildings; the Enterprise Services Fund of the Colorado Historical Society, which sells goods at State museums; and various smaller enterprise operations.  |

**COMBINING STATEMENT OF NET ASSETS  
OTHER ENTERPRISE FUNDS  
JUNE 30, 2011**

(DOLLARS IN THOUSANDS)

|  | COLLEGEINVEST    | WILDLIFE          | COLLEGE<br>ASSIST | STATE<br>FAIR<br>AUTHORITY |
|--|------------------|-------------------|-------------------|----------------------------|
| <b>ASSETS:</b>                                     |                  |                   |                   |                            |
| Current Assets:                                    |                  |                   |                   |                            |
| Cash and Pooled Cash                               | \$ 64,945        | \$ -              | \$ 36,165         | \$ 2,003                   |
| Investments  | 1,675            | -                 | -                 | -                          |
| Student and Other Receivables, net                 | 502              | 10,411            | 155               | 22                         |
| Due From Other Governments                         | -                | -                 | 1,718             | 46                         |
| Due From Other Funds                               | 24               | 62                | -                 | -                          |
| Inventories  | -                | 995               | -                 | 24                         |
| Prepays, Advances, and Deferred Charges            | 57               | 527               | 348               | 166                        |
| <b>Total Current Assets</b>                        | <b>67,203</b>    | <b>11,995</b>     | <b>38,386</b>     | <b>2,261</b>               |
| Noncurrent Assets:                                 |                  |                   |                   |                            |
| Restricted Cash and Pooled Cash                    | 3,275            | 49,427            | 30,096            | -                          |
| Restricted Receivables                             | 1,576            | 3,186             | 20,218            | -                          |
| Investments  | 41,222           | -                 | -                 | -                          |
| Other Long-Term Assets                             | 485              | -                 | -                 | -                          |
| Depreciable Capital Assets and Infrastructure, net | 11               | 56,475            | -                 | 11,232                     |
| Land and Nondepreciable Infrastructure             | -                | 214,461           | -                 | 1,676                      |
| <b>Total Noncurrent Assets</b>                     | <b>46,569</b>    | <b>323,549</b>    | <b>50,314</b>     | <b>12,908</b>              |
| <b>TOTAL ASSETS</b>                                | <b>113,772</b>   | <b>335,544</b>    | <b>88,700</b>     | <b>15,169</b>              |
| <b>LIABILITIES:</b>                                |                  |                   |                   |                            |
| Current Liabilities:                               |                  |                   |                   |                            |
| Accounts Payable and Accrued Liabilities           | 349              | 10,341            | 380               | 532                        |
| Due To Other Governments                           | -                | -                 | 28,102            | -                          |
| Due To Other Funds                                 | 4,846            | 403               | -                 | -                          |
| Deferred Revenue                                   | -                | 29,316            | -                 | 819                        |
| Compensated Absences Payable                       | -                | 308               | -                 | 9                          |
| Leases Payable                                     | -                | -                 | -                 | 11                         |
| Notes, Bonds, and COPs Payable                     | -                | -                 | -                 | -                          |
| Other Current Liabilities                          | 4,842            | -                 | 4,455             | 10                         |
| <b>Total Current Liabilities</b>                   | <b>10,037</b>    | <b>40,368</b>     | <b>32,937</b>     | <b>1,381</b>               |
| Noncurrent Liabilities:                            |                  |                   |                   |                            |
| Accrued Compensated Absences                       | 130              | 4,738             | 140               | 128                        |
| Capital Lease Payable                              | -                | -                 | -                 | 1,743                      |
| Notes, Bonds, and COPs Payable                     | -                | -                 | -                 | -                          |
| Other Long-Term Liabilities                        | 25,709           | -                 | -                 | -                          |
| <b>Total Noncurrent Liabilities</b>                | <b>25,839</b>    | <b>4,738</b>      | <b>140</b>        | <b>1,871</b>               |
| <b>TOTAL LIABILITIES</b>                           | <b>35,876</b>    | <b>45,106</b>     | <b>33,077</b>     | <b>3,252</b>               |
| <b>NET ASSETS:</b>                                 |                  |                   |                   |                            |
| Invested in Capital Assets, Net of Related Debt    | 11               | 270,936           | -                 | 11,154                     |
| Restricted for:                                    |                  |                   |                   |                            |
| Emergencies  | -                | 12,368            | -                 | -                          |
| Other Purposes                                     | -                | -                 | 22,101            | -                          |
| Unrestricted                                       | 77,885           | 7,134             | 33,522            | 763                        |
| <b>TOTAL NET ASSETS</b>                            | <b>\$ 77,896</b> | <b>\$ 290,438</b> | <b>\$ 55,623</b>  | <b>\$ 11,917</b>           |

| CORRECTIONAL INDUSTRIES | STATE NURSING HOMES | PRISON CANTEENS | PETROLEUM STORAGE TANK | TRANSPORTATION ENTERPRISE | OTHER ENTERPRISE ACTIVITIES | TOTALS            |
|-------------------------|---------------------|-----------------|------------------------|---------------------------|-----------------------------|-------------------|
| \$ 5,717                | \$ 6,540            | \$ 1,433        | \$ 8,508               | \$ 44,475                 | \$ 7,084                    | \$ 176,870        |
| -                       | 563                 | -               | -                      | -                         | -                           | 2,238             |
| 1,187                   | 806                 | 296             | 3,944                  | 6,769                     | 705                         | 24,797            |
| 204                     | 3,578               | -               | 49                     | 2,004                     | 43                          | 7,642             |
| 2,956                   | 1,414               | -               | -                      | -                         | -                           | 4,456             |
| 11,552                  | 200                 | 488             | -                      | -                         | 182                         | 13,441            |
| 38                      | 5                   | -               | -                      | -                         | 171                         | 1,312             |
| <b>21,654</b>           | <b>13,106</b>       | <b>2,217</b>    | <b>12,501</b>          | <b>53,248</b>             | <b>8,185</b>                | <b>230,756</b>    |
| -                       | -                   | -               | -                      | -                         | -                           | 82,798            |
| -                       | -                   | -               | -                      | -                         | -                           | 24,980            |
| -                       | -                   | -               | -                      | 341,197                   | -                           | 382,419           |
| 1,796                   | 280                 | -               | -                      | 1,820                     | 149                         | 4,530             |
| 3,404                   | 27,815              | 2,022           | 387                    | 4,113                     | 12,554                      | 118,013           |
| 980                     | 10,256              | -               | -                      | 35,034                    | 4,003                       | 266,410           |
| <b>6,180</b>            | <b>38,351</b>       | <b>2,022</b>    | <b>387</b>             | <b>382,164</b>            | <b>16,706</b>               | <b>879,150</b>    |
| <b>27,834</b>           | <b>51,457</b>       | <b>4,239</b>    | <b>12,888</b>          | <b>435,412</b>            | <b>24,891</b>               | <b>1,109,906</b>  |
| 4,133                   | 3,833               | 552             | 3,622                  | 7,500                     | 1,372                       | 32,614            |
| -                       | 580                 | -               | -                      | -                         | -                           | 28,682            |
| -                       | -                   | -               | -                      | -                         | -                           | 5,249             |
| -                       | 759                 | -               | 10                     | -                         | 800                         | 31,704            |
| 26                      | 172                 | -               | -                      | -                         | 201                         | 716               |
| -                       | 208                 | -               | -                      | -                         | -                           | 219               |
| -                       | 410                 | -               | -                      | -                         | 364                         | 774               |
| 4                       | 1                   | -               | -                      | -                         | 3                           | 9,315             |
| <b>4,163</b>            | <b>5,963</b>        | <b>552</b>      | <b>3,632</b>           | <b>7,500</b>              | <b>2,740</b>                | <b>109,273</b>    |
| 1,026                   | 1,683               | 200             | 333                    | 19                        | 336                         | 8,733             |
| -                       | 2,198               | -               | -                      | -                         | -                           | 3,941             |
| -                       | 2,844               | -               | -                      | 300,000                   | 6,432                       | 309,276           |
| -                       | -                   | -               | -                      | -                         | -                           | 25,709            |
| <b>1,026</b>            | <b>6,725</b>        | <b>200</b>      | <b>333</b>             | <b>300,019</b>            | <b>6,768</b>                | <b>347,659</b>    |
| <b>5,189</b>            | <b>12,688</b>       | <b>752</b>      | <b>3,965</b>           | <b>307,519</b>            | <b>9,508</b>                | <b>456,932</b>    |
| 4,384                   | 32,380              | 2,022           | 387                    | 33,680                    | 9,761                       | 364,715           |
| -                       | -                   | -               | -                      | -                         | -                           | 12,368            |
| -                       | -                   | -               | -                      | -                         | -                           | 22,101            |
| 18,261                  | 6,389               | 1,465           | 8,536                  | 94,213                    | 5,622                       | 253,790           |
| <b>\$ 22,645</b>        | <b>\$ 38,769</b>    | <b>\$ 3,487</b> | <b>\$ 8,923</b>        | <b>\$ 127,893</b>         | <b>\$ 15,383</b>            | <b>\$ 652,974</b> |

**COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS  
OTHER ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

(DOLLARS IN THOUSANDS)

|   | COLLEGEINVEST    | WILDLIFE          | COLLEGE<br>ASSIST | STATE<br>FAIR<br>AUTHORITY |
|---|------------------|-------------------|-------------------|----------------------------|
| <b>OPERATING REVENUES:</b>                              |                  |                   |                   |                            |
| License and Permits                                     | \$ -             | \$ 75,992         | \$ -              | \$ -                       |
| Tuition and Fees  | -                | 2                 | -                 | -                          |
| Sales of Goods and Services                             | 3                | 2,160             | -                 | 6,208                      |
| Investment Income (Loss)                                | 7,985            | -                 | 3,125             | -                          |
| Rental Income   | -                | -                 | -                 | 566                        |
| Federal Grants and Contracts                            | 1,180            | 21,575            | 387,725           | -                          |
| Intergovernmental Revenue                               | -                | 22,053            | -                 | -                          |
| Other   | 13,969           | 557               | 3,859             | 28                         |
| <b>TOTAL OPERATING REVENUES</b>                         | <b>23,137</b>    | <b>122,339</b>    | <b>394,709</b>    | <b>6,802</b>               |
| <b>OPERATING EXPENSES:</b>                              |                  |                   |                   |                            |
| Salaries and Fringe Benefits                            | 455              | 56,482            | 45,326            | 3,721                      |
| Operating and Travel                                    | 3,157            | 45,829            | 341,274           | 4,014                      |
| Cost of Goods Sold                                      | 1,730            | -                 | -                 | -                          |
| Depreciation and Amortization                           | 24               | 4,161             | 2                 | 526                        |
| Intergovernmental Distributions                         | 2,243            | 1,943             | -                 | -                          |
| Debt Service  | 431              | -                 | 15,955            | -                          |
| Prizes and Awards                                       | -                | 9                 | -                 | 785                        |
| <b>TOTAL OPERATING EXPENSES</b>                         | <b>8,040</b>     | <b>108,424</b>    | <b>402,557</b>    | <b>9,046</b>               |
| <b>OPERATING INCOME (LOSS)</b>                          | <b>15,097</b>    | <b>13,915</b>     | <b>(7,848)</b>    | <b>(2,244)</b>             |
| <b>NONOPERATING REVENUES AND (EXPENSES):</b>            |                  |                   |                   |                            |
| Taxes   | -                | -                 | -                 | -                          |
| Fines and Settlements                                   | -                | 213               | -                 | -                          |
| Investment Income (Loss)                                | -                | 263               | -                 | 876                        |
| Rental Income   | -                | 516               | -                 | -                          |
| Gifts and Donations                                     | -                | 1,118             | -                 | 528                        |
| Federal Grants and Contracts                            | -                | -                 | -                 | -                          |
| Gain/(Loss) on Sale or Impairment of Capital Assets     | -                | 26                | -                 | -                          |
| Insurance Recoveries from Prior Year Impairments        | -                | 64                | -                 | -                          |
| Debt Service  | -                | (63)              | -                 | (4)                        |
| Other Expenses  | -                | -                 | -                 | -                          |
| <b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>           | <b>-</b>         | <b>2,137</b>      | <b>-</b>          | <b>1,400</b>               |
| <b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b> | <b>15,097</b>    | <b>16,052</b>     | <b>(7,848)</b>    | <b>(844)</b>               |
| <b>CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:</b>       |                  |                   |                   |                            |
| Capital Contributions                                   | -                | 5,109             | -                 | 479                        |
| Transfers-In  | 162              | 2,789             | -                 | -                          |
| Transfers-Out   | (15,494)         | (7,789)           | (115)             | (143)                      |
| <b>TOTAL CONTRIBUTIONS AND TRANSFERS</b>                | <b>(15,332)</b>  | <b>109</b>        | <b>(115)</b>      | <b>336</b>                 |
| <b>CHANGE IN NET ASSETS</b>                             | <b>(235)</b>     | <b>16,161</b>     | <b>(7,963)</b>    | <b>(508)</b>               |
| <b>NET ASSETS - FISCAL YEAR BEGINNING</b>               | <b>78,818</b>    | <b>274,277</b>    | <b>63,586</b>     | <b>12,425</b>              |
| Prior Period Adjustments (See Note 29)                  | (687)            | -                 | -                 | -                          |
| <b>NET ASSETS - FISCAL YEAR ENDING</b>                  | <b>\$ 77,896</b> | <b>\$ 290,438</b> | <b>\$ 55,623</b>  | <b>\$ 11,917</b>           |

| CORRECTIONAL INDUSTRIES | STATE NURSING HOMES | PRISON CANTEENS | PETROLEUM STORAGE TANK | TRANSPORTATION ENTERPRISE | OTHER ENTERPRISE ACTIVITIES | TOTALS     |
|-------------------------|---------------------|-----------------|------------------------|---------------------------|-----------------------------|------------|
| \$ -                    | \$ -                | \$ -            | \$ 537                 | \$ -                      | \$ 7,508                    | \$ 84,037  |
| -                       | -                   | -               | -                      | -                         | 215                         | 217        |
| 45,299                  | 35,549              | 17,214          | 4                      | 69,450                    | 4,243                       | 180,130    |
| -                       | -                   | -               | -                      | -                         | -                           | 11,110     |
| -                       | -                   | -               | -                      | -                         | 955                         | 1,521      |
| -                       | 16,688              | -               | 1,822                  | 15,264                    | 688                         | 444,942    |
| -                       | 342                 | -               | -                      | -                         | -                           | 22,395     |
| 157                     | 40                  | 37              | 15                     | 113                       | 44                          | 18,819     |
| 45,456                  | 52,619              | 17,251          | 2,378                  | 84,827                    | 13,653                      | 763,171    |
| 10,645                  | 35,693              | 6,629           | 9,993                  | 2,777                     | 5,033                       | 176,754    |
| 8,741                   | 9,345               | 2,368           | 25,773                 | 1,725                     | 7,863                       | 450,089    |
| 25,315                  | -                   | 10,695          | -                      | -                         | 131                         | 37,871     |
| 502                     | 1,606               | 110             | 127                    | 48                        | 646                         | 7,752      |
| -                       | 3,942               | -               | -                      | -                         | -                           | 8,128      |
| -                       | -                   | -               | -                      | -                         | -                           | 16,386     |
| -                       | -                   | -               | -                      | -                         | -                           | 794        |
| 45,203                  | 50,586              | 19,802          | 35,893                 | 4,550                     | 13,673                      | 697,774    |
| 253                     | 2,033               | (2,551)         | (33,515)               | 80,277                    | (20)                        | 65,397     |
| -                       | -                   | -               | 36,731                 | -                         | -                           | 36,731     |
| -                       | -                   | -               | 116                    | 19                        | 25                          | 373        |
| 32                      | (20)                | 24              | 109                    | 3,614                     | 29                          | 4,927      |
| 440                     | 2                   | -               | -                      | -                         | -                           | 958        |
| 1                       | 10                  | -               | -                      | 1,368                     | 490                         | 3,515      |
| 16                      | 5,426               | -               | -                      | -                         | 474                         | 5,942      |
| -                       | -                   | -               | -                      | -                         | -                           | 64         |
| -                       | (300)               | -               | -                      | (9,528)                   | 116                         | (9,779)    |
| -                       | (42)                | -               | -                      | (38)                      | (11)                        | (91)       |
| 489                     | 5,076               | 24              | 36,956                 | (4,565)                   | 1,123                       | 42,640     |
| 742                     | 7,109               | (2,527)         | 3,441                  | 75,712                    | 1,103                       | 108,037    |
| -                       | 2,190               | -               | -                      | -                         | 2,748                       | 10,526     |
| -                       | 986                 | -               | -                      | -                         | -                           | 3,937      |
| (330)                   | (1,765)             | (1,947)         | (905)                  | (905)                     | (240)                       | (29,633)   |
| (330)                   | 1,411               | (1,947)         | (905)                  | (905)                     | 2,508                       | (15,170)   |
| 412                     | 8,520               | (4,474)         | 2,536                  | 74,807                    | 3,611                       | 92,867     |
| 22,233                  | 30,249              | 7,961           | 6,387                  | 53,086                    | 11,772                      | 560,794    |
| -                       | -                   | -               | -                      | -                         | -                           | (687)      |
| \$ 22,645               | \$ 38,769           | \$ 3,487        | \$ 8,923               | \$ 127,893                | \$ 15,383                   | \$ 652,974 |

**COMBINING STATEMENT OF CASH FLOWS  
OTHER ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

(DOLLARS IN THOUSANDS)

|  | COLLEGEINVEST   | WILDLIFE        | COLLEGE<br>ASSIST | STATE<br>FAIR<br>AUTHORITY |
|--|-----------------|-----------------|-------------------|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                     |                 |                 |                   |                            |
| Cash Received from:  |                 |                 |                   |                            |
| Tuition, Fees, and Student Loans                                 | \$ -            | \$ 2            | \$ -              | \$ -                       |
| Fees for Service   | 1,255           | 64,857          | 678               | 4,763                      |
| Sales of Products  | -               | 733             | 587               | 158                        |
| Gifts, Grants, and Contracts                                     | 1,180           | 22,203          | 398,522           | 28                         |
| Loan and Note Repayments   | 16,273          | -               | -                 | -                          |
| Income from Property   | 194,800         | 516             | -                 | 566                        |
| Other Sources  | -               | 28,702          | 3,272             | 2,091                      |
| Cash Payments to or for:   |                 |                 |                   |                            |
| Employees  | (464)           | (53,312)        | (1,873)           | (2,225)                    |
| Suppliers  | (21,215)        | (32,970)        | (50,382)          | (5,413)                    |
| Sales Commissions and Lottery Prizes                             | -               | (5,820)         | -                 | -                          |
| Others for Student Loans and Loan Losses                         | (197,962)       | -               | (355,354)         | -                          |
| Other Governments  | (2,243)         | (1,943)         | -                 | -                          |
| Other  | (1,185)         | (8,478)         | -                 | (910)                      |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                 | <b>(9,561)</b>  | <b>14,490</b>   | <b>(4,550)</b>    | <b>(942)</b>               |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>          |                 |                 |                   |                            |
| Transfers-In   | 162             | 2,789           | -                 | -                          |
| Transfers-Out  | (15,494)        | (7,789)         | (115)             | (143)                      |
| Receipt of Deposits Held in Custody                              | -               | -               | 8                 | 2                          |
| Release of Deposits Held in Custody                              | -               | (1)             | (8)               | (2)                        |
| Gifts and Grants for Other Than Capital Purposes                 | -               | 1,118           | -                 | -                          |
| NonCapital Debt Service Payments                                 | (431)           | -               | -                 | -                          |
| <b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES</b>             | <b>(15,763)</b> | <b>(3,883)</b>  | <b>(115)</b>      | <b>(143)</b>               |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b> |                 |                 |                   |                            |
| Acquisition of Capital Assets                                    | -               | (23,283)        | (4)               | (737)                      |
| Capital Gifts, Grants, and Contracts                             | -               | -               | -                 | -                          |
| Proceeds from Sale of Capital Assets                             | -               | -               | -                 | -                          |
| Capital Debt Proceeds  | -               | -               | -                 | 1,754                      |
| Capital Debt Service Payments                                    | -               | (1)             | -                 | (4)                        |
| Capital Lease Payments   | -               | -               | -                 | -                          |
| <b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>    | <b>-</b>        | <b>(23,284)</b> | <b>(4)</b>        | <b>1,013</b>               |

(Continued)



| CORRECTIONAL INDUSTRIES | STATE NURSING HOMES | PRISON CANTEENS | PETROLEUM STORAGE TANK | TRANSPORTATION ENTERPRISE | OTHER ENTERPRISE ACTIVITIES | TOTALS    |
|-------------------------|---------------------|-----------------|------------------------|---------------------------|-----------------------------|-----------|
| \$ -                    | \$ 559              | \$ -            | \$ -                   | \$ -                      | \$ 215                      | \$ 776    |
| 9,953                   | 35,400              | -               | 35,787                 | 67,711                    | 3,456                       | 223,860   |
| 34,078                  | 33                  | 17,227          | -                      | -                         | 621                         | 53,437    |
| -                       | 15,040              | -               | 2,080                  | 14,018                    | 926                         | 453,997   |
| -                       | -                   | -               | -                      | -                         | -                           | 16,273    |
| 440                     | 2                   | -               | -                      | -                         | 955                         | 197,279   |
| 173                     | 787                 | 37              | 658                    | 18                        | 6,028                       | 41,766    |
| -                       | -                   | -               | -                      | -                         | -                           | -         |
| (9,256)                 | (34,605)            | (6,556)         | (3,426)                | (2,975)                   | (4,928)                     | (119,620) |
| (34,960)                | (10,467)            | (13,080)        | (32,729)               | (647)                     | (7,704)                     | (209,567) |
| -                       | -                   | -               | -                      | -                         | (1)                         | (5,821)   |
| -                       | -                   | -               | -                      | -                         | -                           | (553,316) |
| -                       | (3,581)             | -               | -                      | -                         | -                           | (7,767)   |
| (112)                   | (10)                | (22)            | (1)                    | (182)                     | (71)                        | (10,971)  |
| 316                     | 3,158               | (2,394)         | 2,369                  | 77,943                    | (503)                       | 80,326    |
| -                       | 986                 | -               | -                      | -                         | -                           | 3,937     |
| (330)                   | (1,765)             | (1,947)         | (905)                  | (905)                     | (240)                       | (29,633)  |
| -                       | 1                   | -               | -                      | -                         | -                           | 11        |
| -                       | -                   | -               | -                      | -                         | -                           | (11)      |
| 1                       | 10                  | -               | -                      | -                         | 490                         | 1,619     |
| -                       | (552)               | -               | -                      | -                         | -                           | (983)     |
| (329)                   | (1,320)             | (1,947)         | (905)                  | (905)                     | 250                         | (25,060)  |
| (384)                   | (4,575)             | -               | (23)                   | (30,934)                  | (2,964)                     | (62,904)  |
| -                       | -                   | -               | -                      | -                         | 2,748                       | 2,748     |
| 14                      | 5,422               | -               | -                      | -                         | -                           | 5,436     |
| -                       | -                   | -               | -                      | 258,144                   | 330                         | 260,228   |
| -                       | -                   | -               | -                      | (8,013)                   | (567)                       | (8,585)   |
| -                       | (822)               | -               | -                      | -                         | -                           | (822)     |
| (370)                   | 25                  | -               | (23)                   | 219,197                   | (453)                       | 196,101   |

**COMBINING STATEMENT OF CASH FLOWS  
OTHER ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

(Continued)

(DOLLARS IN THOUSANDS)

|  | COLLEGEINVEST     | WILDLIFE         | COLLEGE<br>ASSIST | STATE<br>FAIR<br>AUTHORITY |
|--|-------------------|------------------|-------------------|----------------------------|
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                   |                  |                   |                            |
| Interest and Dividends on Investments  | 1,977             | 714              | 3,744             | 884                        |
| Proceeds from Sale/Maturity of Investments   | 66,891            | -                | -                 | -                          |
| Purchases of Investments   | (19,836)          | -                | -                 | -                          |
| Increase(Decrease) from Unrealized Gain(Loss) on Investments                                   | 431               | (451)            | (619)             | (8)                        |
| <b>NET CASH FROM INVESTING ACTIVITIES</b>  | <b>49,463</b>     | <b>263</b>       | <b>3,125</b>      | <b>876</b>                 |
| <b>NET INCREASE (DECREASE) IN CASH AND POOLED CASH</b>   | <b>24,139</b>     | <b>(12,414)</b>  | <b>(1,544)</b>    | <b>804</b>                 |
| <b>CASH AND POOLED CASH , FISCAL YEAR BEGINNING</b>  | <b>44,081</b>     | <b>61,841</b>    | <b>67,805</b>     | <b>1,199</b>               |
| <b>CASH AND POOLED CASH, FISCAL YEAR END</b>   | <b>\$ 68,220</b>  | <b>\$ 49,427</b> | <b>\$ 66,261</b>  | <b>\$ 2,003</b>            |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>         |                   |                  |                   |                            |
| Operating Income (Loss)  | \$ 15,097         | \$ 13,915        | \$ (7,848)        | \$ (2,244)                 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities: |                   |                  |                   |                            |
| Depreciation   | 24                | 4,161            | 2                 | 526                        |
| Investment/Rental Income and Other Revenue in Operating Income                                 | (7,984)           | -                | (3,125)           | -                          |
| Rents, Fines, Donations, and Grants and Contracts in NonOperating                              | -                 | 757              | -                 | 528                        |
| (Gain)/Loss on Disposal of Capital and Other Assets  | -                 | (253)            | -                 | -                          |
| Compensated Absences   | (29)              | (421)            | 10                | 13                         |
| Interest and Other Expense in Operating Income   | 463               | 6                | 4                 | -                          |
| Net Changes in Assets and Liabilities Related to Operating Activities:                         |                   |                  |                   |                            |
| (Increase) Decrease in Operating Receivables   | 199,718           | (5,751)          | 14,043            | (49)                       |
| (Increase) Decrease in Inventories   | -                 | 50               | -                 | 5                          |
| (Increase) Decrease in Other Operating Assets  | 369               | (98)             | (18)              | (57)                       |
| Increase (Decrease) in Accounts Payable  | (215,154)         | 2,037            | (3,013)           | 7                          |
| Increase (Decrease) in Other Operating Liabilities   | (2,065)           | 87               | (4,605)           | 329                        |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>   | <b>\$ (9,561)</b> | <b>\$ 14,490</b> | <b>\$ (4,550)</b> | <b>\$ (942)</b>            |
| <b>SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:</b>                                       |                   |                  |                   |                            |
| Capital Assets Acquired by Grants or Donations and Payable Increases                           | -                 | 5,109            | -                 | 479                        |
| Unrealized Gain/Loss on Investments and Interest Receivable Accruals                           | 1,403             | -                | -                 | -                          |

| CORRECTIONAL INDUSTRIES | STATE NURSING HOMES | PRISON CANTEENS | PETROLEUM STORAGE TANK | TRANSPORTATION ENTERPRISE | OTHER ENTERPRISE ACTIVITIES | TOTALS     |
|-------------------------|---------------------|-----------------|------------------------|---------------------------|-----------------------------|------------|
| 78                      | 22                  | 110             | 131                    | 3,446                     | 77                          | 11,183     |
| -                       | 621                 | -               | -                      | 13,244                    | 1                           | 80,757     |
| -                       | (621)               | -               | -                      | (354,440)                 | -                           | (374,897)  |
| (46)                    | (42)                | (86)            | (22)                   | (272)                     | (48)                        | (1,163)    |
| 32                      | (20)                | 24              | 109                    | (338,022)                 | 30                          | (284,120)  |
| (351)                   | 1,843               | (4,317)         | 1,550                  | (41,787)                  | (676)                       | (32,753)   |
| 6,068                   | 4,697               | 5,750           | 6,958                  | 86,262                    | 7,760                       | 292,421    |
| \$ 5,717                | \$ 6,540            | \$ 1,433        | \$ 8,508               | \$ 44,475                 | \$ 7,084                    | \$ 259,668 |

\$ 253    \$ 2,033    \$ (2,551)    \$ (33,515)    \$ 80,277    \$ (20)    \$ 65,397

|         |          |            |          |           |          |           |
|---------|----------|------------|----------|-----------|----------|-----------|
| 502     | 1,606    | 110        | 127      | 48        | 646      | 7,752     |
| -       | -        | -          | -        | -         | -        | (11,109)  |
| 456     | 3        | -          | 36,847   | 17        | 25       | 38,633    |
| -       | -        | -          | -        | -         | 25       | (228)     |
| 70      | (291)    | 13         | 2        | 19        | (24)     | (638)     |
| -       | -        | -          | -        | (4,635)   | 33       | (4,129)   |
| (1,268) | (834)    | 12         | (703)    | (3,098)   | 117      | 202,187   |
| (820)   | 24       | (15)       | -        | -         | (28)     | (784)     |
| (54)    | 16       | -          | -        | -         | 61       | 219       |
| 1,178   | (155)    | 37         | (394)    | 5,315     | 212      | (209,930) |
| (1)     | 756      | -          | 5        | -         | (1,550)  | (7,044)   |
| \$ 316  | \$ 3,158 | \$ (2,394) | \$ 2,369 | \$ 77,943 | \$ (503) | \$ 80,326 |

-            2,190            -            -            1,368            -            9,146  
 -            -            -            -            -            -            1,403



## INTERNAL SERVICE FUNDS

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

|                                   |  |
|-----------------------------------|--|
| CENTRAL SERVICES                  | This fund accounts for the sales of goods and services to other State agencies. The sales items include mail services, printing, quick copy, graphic design, microfilming, fleet, and motor pool.  |
| INFORMATION TECHNOLOGY            | This fund accounts for computer services sold to other State agencies formerly General Government Computer Center (GGCC). In April 2011 the GGCC and Telecommunications were merged into one fund, the Information Technology Fund.  |
| TELECOMMUNICATIONS                | This fund accounts for telecommunications services sold primarily to other State agencies. In April 2011 this fund was consolidated into the Information Technology Fund.  |
| CAPITOL COMPLEX                   | This fund accounts for the cost and income related to maintaining State office space in the complex surrounding the State Capitol. Only certain capitol complex capital assets are reported in this fund, and other capitol complex capital assets are reported on the government-wide financial statements. |
| HIGHWAYS                          | This fund is used to account for the operations of the Department of Transportation print shop.  |
| PUBLIC SAFETY                     | This fund accounts for aircraft rental to State agencies by the Department of Public Safety.   |
| OFFICE OF ADMINISTRATIVE COURTS   | This fund accounts for the operations of the Office of Administrative Courts in the Department of Personnel & Administration.  |
| OTHER INTERNAL SERVICE ACTIVITIES | This fund primarily accounts for the activities of the Central Collections Unit within the Department of Personnel & Administration. The unit collects receivables due to State agencies on a straight commission basis.   |

**COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
JUNE 30, 2011**

(DOLLARS IN THOUSANDS)

|  | CENTRAL<br>SERVICES | INFORMATION<br>TECHNOLOGY | TELECOM-<br>MUNICATIONS |
|--|---------------------|---------------------------|-------------------------|
| <b>ASSETS:</b>                                     |                     |                           |                         |
| Current Assets:                                    |                     |                           |                         |
| Cash and Pooled Cash                               | \$ 6,909            | \$ 8,501                  | \$ -                    |
| Other Receivables, net                             | 263                 | 83                        | -                       |
| Due From Other Governments                         | 318                 | 191                       | -                       |
| Due From Other Funds                               | 5                   | 2,303                     | -                       |
| Inventories  | 644                 | 37                        | -                       |
| Prepays, Advances, and Deferred Charges            | 19                  | 1,966                     | -                       |
| <b>Total Current Assets</b>                        | <b>8,158</b>        | <b>13,081</b>             | <b>-</b>                |
| Noncurrent Assets:                                 |                     |                           |                         |
| Other Long-Term Assets                             | 58                  | -                         | -                       |
| Depreciable Capital Assets and Infrastructure, net | 52,061              | 2,402                     | -                       |
| Land and Nondepreciable Infrastructure             | -                   | -                         | -                       |
| <b>Total Noncurrent Assets</b>                     | <b>52,119</b>       | <b>2,402</b>              | <b>-</b>                |
| <b>TOTAL ASSETS</b>                                | <b>60,277</b>       | <b>15,483</b>             | <b>-</b>                |
| <b>LIABILITIES:</b>                                |                     |                           |                         |
| Current Liabilities:                               |                     |                           |                         |
| Accounts Payable and Accrued Liabilities           | 2,593               | 7,440                     | -                       |
| Deferred Revenue                                   | 169                 | 254                       | -                       |
| Compensated Absences Payable                       | 22                  | 21                        | -                       |
| Leases Payable                                     | 8,971               | -                         | -                       |
| Notes, Bonds, and COPs Payable                     | 3,535               | -                         | -                       |
| Other Current Liabilities                          | 258                 | -                         | -                       |
| <b>Total Current Liabilities</b>                   | <b>15,548</b>       | <b>7,715</b>              | <b>-</b>                |
| Noncurrent Liabilities:                            |                     |                           |                         |
| Accrued Compensated Absences                       | 506                 | 5,743                     | -                       |
| Capital Lease Payable                              | 36,841              | -                         | -                       |
| Notes, Bonds, and COPs Payable                     | 4,749               | -                         | -                       |
| <b>Total Noncurrent Liabilities</b>                | <b>42,096</b>       | <b>5,743</b>              | <b>-</b>                |
| <b>TOTAL LIABILITIES</b>                           | <b>57,644</b>       | <b>13,458</b>             | <b>-</b>                |
| <b>NET ASSETS:</b>                                 |                     |                           |                         |
| Invested in Capital Assets, Net of Related Debt    | (2,035)             | 2,402                     | -                       |
| Unrestricted                                       | 4,668               | (377)                     | -                       |
| <b>TOTAL NET ASSETS</b>                            | <b>\$ 2,633</b>     | <b>\$ 2,025</b>           | <b>\$ -</b>             |

| CAPITOL<br>COMPLEX | HIGHWAYS | PUBLIC<br>SAFETY | ADMINISTRATIVE<br>COURTS | OTHER<br>INTERNAL<br>SERVICE<br>ACTIVITIES | TOTALS    |
|--------------------|----------|------------------|--------------------------|--|-----------|
| \$ 1,829           | \$ 645   | \$ 483           | \$ 1,126                 | \$ 851                                     | \$ 20,344 |
| 69                 | 4        | 11               | 2                        | 4  | 436       |
| -                  | -        | -                | -                        | -  | 509       |
| 15                 | -        | -                | -                        | -  | 2,323     |
| 278                | 297      | -                | -                        | -  | 1,256     |
| -                  | -        | -                | -                        | 10   | 1,995     |
| 2,191              | 946      | 494              | 1,128                    | 865  | 26,863    |
| -                  | -        | -                | -                        | -  | 58        |
| 18,105             | 99       | 1,031            | 13                       | 10   | 73,721    |
| 939                | -        | -                | -                        | -  | 939       |
| 19,044             | 99       | 1,031            | 13                       | 10   | 74,718    |
| 21,235             | 1,045    | 1,525            | 1,141                    | 875  | 101,581   |
| 1,326              | 143      | 49               | 300                      | 183  | 12,034    |
| 4                  | -        | -                | -                        | 8  | 435       |
| -                  | -        | -                | -                        | -  | 43        |
| 687                | -        | -                | -                        | -  | 9,658     |
| -                  | -        | -                | -                        | -  | 3,535     |
| -                  | -        | -                | -                        | -  | 258       |
| 2,017              | 143      | 49               | 300                      | 191  | 25,963    |
| 291                | -        | -                | 300                      | 30   | 6,870     |
| 17,225             | -        | -                | -                        | -  | 54,066    |
| -                  | -        | -                | -                        | -  | 4,749     |
| 17,516             | -        | -                | 300                      | 30   | 65,685    |
| 19,533             | 143      | 49               | 600                      | 221  | 91,648    |
| 1,132              | 99       | 1,031            | 13                       | 10   | 2,652     |
| 570                | 803      | 445              | 528                      | 644  | 7,281     |
| \$ 1,702           | \$ 902   | \$ 1,476         | \$ 541                   | \$ 654                                     | \$ 9,933  |

**COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

(DOLLARS IN THOUSANDS)

|   | CENTRAL<br>SERVICES | INFORMATION<br>TECHNOLOGY | TELECOM-<br>MUNICATIONS |
|---|---------------------|---------------------------|-------------------------|
| <b>OPERATING REVENUES:</b>                              |                     |                           |                         |
| Sales of Goods and Services                             | \$ 57,763           | \$ 98,358                 | \$ 26,291               |
| Rental Income   | -                   | -                         | -                       |
| Other   | 375                 | 2                         | 2                       |
| <b>TOTAL OPERATING REVENUES</b>                         | <b>58,138</b>       | <b>98,360</b>             | <b>26,293</b>           |
| <b>OPERATING EXPENSES:</b>                              |                     |                           |                         |
| Salaries and Fringe Benefits                            | 8,465               | 82,514                    | 11,038                  |
| Operating and Travel                                    | 27,021              | 20,746                    | 15,099                  |
| Cost of Goods Sold                                      | 7,597               | -                         | -                       |
| Depreciation and Amortization                           | 14,544              | 439                       | 265                     |
| Intergovernmental Distributions                         | -                   | -                         | -                       |
| <b>TOTAL OPERATING EXPENSES</b>                         | <b>57,627</b>       | <b>103,699</b>            | <b>26,402</b>           |
| <b>OPERATING INCOME (LOSS)</b>                          | <b>511</b>          | <b>(5,339)</b>            | <b>(109)</b>            |
| <b>NONOPERATING REVENUES AND (EXPENSES):</b>            |                     |                           |                         |
| Investment Income (Loss)                                | 26                  | 140                       | -                       |
| Federal Grants and Contracts                            | -                   | 53                        | 154                     |
| Gain/(Loss) on Sale or Impairment of Capital Assets     | (4,156)             | (4)                       | -                       |
| Debt Service  | (2,200)             | (77)                      | -                       |
| Other Expenses  | (49)                | -                         | -                       |
| <b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>           | <b>(6,379)</b>      | <b>112</b>                | <b>154</b>              |
| <b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b> | <b>(5,868)</b>      | <b>(5,227)</b>            | <b>45</b>               |
| <b>CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:</b>       |                     |                           |                         |
| Capital Contributions                                   | 553                 | -                         | -                       |
| Transfers-In  | 472                 | 6,405                     | 55                      |
| Transfers-Out   | (1,567)             | (1,193)                   | (4,769)                 |
| <b>TOTAL CONTRIBUTIONS AND TRANSFERS</b>                | <b>(542)</b>        | <b>5,212</b>              | <b>(4,714)</b>          |
| <b>CHANGE IN NET ASSETS</b>                             | <b>(6,410)</b>      | <b>(15)</b>               | <b>(4,669)</b>          |
| <b>NET ASSETS - FISCAL YEAR BEGINNING</b>               | <b>9,043</b>        | <b>2,040</b>              | <b>4,669</b>            |
| Accounting Changes (See Note 29)                        | -                   | -                         | -                       |
| <b>NET ASSETS - FISCAL YEAR ENDING</b>                  | <b>\$ 2,633</b>     | <b>\$ 2,025</b>           | <b>\$ -</b>             |



| CAPITOL<br>COMPLEX | HIGHWAYS | PUBLIC<br>SAFETY | ADMINISTRATIVE<br>COURTS | OTHER<br>INTERNAL<br>SERVICE<br>ACTIVITIES | TOTALS     |
|--------------------|----------|------------------|--------------------------|--|------------|
| \$ -               | \$ 2,013 | \$ 152           | \$ 4,443                 | \$ 3,306                                   | \$ 192,326 |
| 11,523             | -        | -                | -                        | -  | 11,523     |
| 11                 | -        | -                | -                        | 4  | 394        |
| 11,534             | 2,013    | 152              | 4,443                    | 3,310                                      | 204,243    |
| 3,264              | 1,099    | 186              | 3,500                    | 1,299                                      | 111,365    |
| 4,984              | 1,321    | 310              | 787                      | 1,441                                      | 71,709     |
| -                  | -        | -                | -                        | -  | 7,597      |
| 1,270              | 14       | 412              | 7                        | 8  | 16,959     |
| 98                 | -        | -                | -                        | -  | 98         |
| 9,616              | 2,434    | 908              | 4,294                    | 2,748                                      | 207,728    |
| 1,918              | (421)    | (756)            | 149                      | 562  | (3,485)    |
| -                  | (12)     | -                | 30                       | 5  | 189        |
| 450                | -        | -                | -                        | -  | 657        |
| (643)              | -        | -                | (2)                      | -  | (4,805)    |
| (818)              | -        | -                | -                        | -  | (3,095)    |
| -                  | -        | -                | -                        | -  | (49)       |
| (1,011)            | (12)     | -                | 28                       | 5  | (7,103)    |
| 907                | (433)    | (756)            | 177                      | 567  | (10,588)   |
| -                  | -        | -                | -                        | -  | 553        |
| 27                 | -        | 388              | -                        | -  | 7,347      |
| (1,336)            | -        | (16)             | (258)                    | (343)                                      | (9,482)    |
| (1,309)            | -        | 372              | (258)                    | (343)                                      | (1,582)    |
| (402)              | (433)    | (384)            | (81)                     | 224  | (12,170)   |
| 2,104              | 1,335    | 1,860            | 622                      | 339  | 22,012     |
| -                  | -        | -                | -                        | 91   | 91         |
| \$ 1,702           | \$ 902   | \$ 1,476         | \$ 541                   | \$ 654                                     | \$ 9,933   |

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

(DOLLARS IN THOUSANDS)

|  | CENTRAL<br>SERVICES | INFORMATION<br>TECHNOLOGY | TELECOM-<br>MUNICATIONS |
|--|---------------------|---------------------------|-------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                     |                     |                           |                         |
| Cash Received from:  |                     |                           |                         |
| Tuition, Fees, and Student Loans                                 | \$ -                | \$ -                      | \$ -                    |
| Fees for Service   | 57,355              | 97,455                    | 26,060                  |
| Sales of Products  | 42                  | -                         | -                       |
| Gifts, Grants, and Contracts                                     | -                   | 105                       | 67                      |
| Income from Property   | -                   | -                         | -                       |
| Other Sources  | 242                 | 2                         | 2                       |
| Cash Payments to or for:   |                     |                           |                         |
| Employees  | (6,818)             | (58,442)                  | (10,988)                |
| Suppliers  | (35,983)            | (36,089)                  | (15,737)                |
| Sales Commissions and Lottery Prizes                             | -                   | -                         | -                       |
| Other Governments  | -                   | -                         | -                       |
| Other  | (23)                | (51)                      | (3)                     |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                 | <b>14,815</b>       | <b>2,980</b>              | <b>(599)</b>            |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>          |                     |                           |                         |
| Transfers-In   | 472                 | 4,870                     | 55                      |
| Transfers-Out  | (1,567)             | (1,193)                   | (3,234)                 |
| Receipt of Deposits Held in Custody                              | 529                 | -                         | -                       |
| Release of Deposits Held in Custody                              | (271)               | -                         | -                       |
| NonCapital Debt Proceeds   | -                   | 7                         | -                       |
| NonCapital Debt Service Payments                                 | -                   | (7)                       | -                       |
| <b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES</b>             | <b>(837)</b>        | <b>3,677</b>              | <b>(3,179)</b>          |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b> |                     |                           |                         |
| Acquisition of Capital Assets                                    | (16,795)            | (23,107)                  | (23,881)                |
| Proceeds from Sale of Capital Assets                             | 8,929               | 22,643                    | 23,881                  |
| Capital Debt Service Payments                                    | (4,653)             | (77)                      | -                       |
| Capital Lease Payments   | (1,861)             | -                         | -                       |
| <b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>    | <b>(14,380)</b>     | <b>(541)</b>              | <b>-</b>                |

(Continued)

| CAPITOL<br>COMPLEX | HIGHWAYS | PUBLIC<br>SAFETY | ADMINISTRATIVE<br>COURTS | OTHER<br>INTERNAL<br>SERVICE<br>ACTIVITIES | TOTALS   |
|--------------------|----------|------------------|--------------------------|--|----------|
| \$ -               | \$ -     | \$ 3             | \$ -                     | \$ -                                       | \$ 3     |
| -                  | 900      | 142              | 4,441                    | 3,308                                      | 189,661  |
| -                  | 1,112    | -                | -                        | 3  | 1,157    |
| 450                | -        | -                | -                        | -  | 622      |
| 11,486             | -        | -                | -                        | -  | 11,486   |
| 18                 | -        | -                | -                        | 3  | 267      |
| (3,100)            | (1,048)  | (187)            | (3,338)                  | (1,116)                                    | (85,037) |
| (4,632)            | (1,374)  | (311)            | (882)                    | (783)                                      | (95,791) |
| -                  | -        | -                | -                        | (706)                                      | (706)    |
| (98)               | -        | -                | -                        | -  | (98)     |
| -                  | -        | -                | -                        | (103)                                      | (180)    |
| 4,124              | (410)    | (353)            | 221                      | 606  | 21,384   |
| 27                 | -        | 388              | -                        | -  | 5,812    |
| (1,336)            | -        | (16)             | (258)                    | (343)                                      | (7,947)  |
| -                  | -        | -                | -                        | -  | 529      |
| -                  | -        | -                | -                        | -  | (271)    |
| -                  | -        | -                | -                        | -  | 7        |
| -                  | -        | -                | -                        | -  | (7)      |
| (1,309)            | -        | 372              | (258)                    | (343)                                      | (1,877)  |
| (2,776)            | -        | -                | -                        | -  | (66,559) |
| 150                | -        | -                | -                        | -  | 55,603   |
| (818)              | -        | -                | -                        | -  | (5,548)  |
| -                  | -        | -                | -                        | -  | (1,861)  |
| (3,444)            | -        | -                | -                        | -  | (18,365) |

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

(Continued)

(DOLLARS IN THOUSANDS)

|  | CENTRAL<br>SERVICES | INFORMATION<br>TECHNOLOGY | TELECOM-<br>MUNICATIONS |
|--|---------------------|---------------------------|-------------------------|
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                 |                     |                           |                         |
| Interest and Dividends on Investments                        | 26                  | -                         | -                       |
| Proceeds from Sale/Maturity of Investments                   | -                   | -                         | -                       |
| Increase(Decrease) from Unrealized Gain(Loss) on Investments | -                   | 140                       | -                       |
| <b>NET CASH FROM INVESTING ACTIVITIES</b>                    | <b>26</b>           | <b>140</b>                | <b>-</b>                |
| <b>NET INCREASE (DECREASE) IN CASH AND POOLED CASH</b>       | <b>(376)</b>        | <b>6,256</b>              | <b>(3,778)</b>          |
| <b>CASH AND POOLED CASH , FISCAL YEAR BEGINNING</b>          | <b>7,285</b>        | <b>2,245</b>              | <b>3,778</b>            |
| Accounting Changes (See Note 29)                             | -                   | -                         | -                       |
| <b>CASH AND POOLED CASH, FISCAL YEAR END</b>                 | <b>\$ 6,909</b>     | <b>\$ 8,501</b>           | <b>\$ -</b>             |

**RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES**

|   |                  |                 |                 |
|---|------------------|-----------------|-----------------|
| Operating Income (Loss)   | \$ 511           | \$ (5,339)      | \$ (109)        |
| Adjustments to Reconcile Operating Income (Loss)<br>to Net Cash Provided by Operating Activities: |                  |                 |                 |
| Depreciation  | 14,544           | 439             | 265             |
| Investment/Rental Income and Other Revenue in Operating Income                                    | (54)             | -               | -               |
| Rents, Fines, Donations, and Grants and Contracts in NonOperating                                 | -                | 53              | 154             |
| (Gain)/Loss on Disposal of Capital and Other Assets   | 4                | -               | -               |
| Compensated Absences  | 62               | 4,164           | -               |
| Interest and Other Expense in Operating Income  | 3                | -               | -               |
| Net Changes in Assets and Liabilities Related to Operating Activities:                            |                  |                 |                 |
| (Increase) Decrease in Operating Receivables  | (281)            | (1,107)         | (316)           |
| (Increase) Decrease in Inventories  | 94               | 8               | -               |
| (Increase) Decrease in Other Operating Assets   | (11)             | (1,494)         | 62              |
| Increase (Decrease) in Accounts Payable   | 161              | 6,002           | (655)           |
| Increase (Decrease) in Other Operating Liabilities  | (218)            | 254             | -               |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>  | <b>\$ 14,815</b> | <b>\$ 2,980</b> | <b>\$ (599)</b> |

**SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:**

|  |     |       |       |
|--|-----|-------|-------|
| Capital Assets Acquired by Grants or Donations and Payable Increases | 553 | 1,376 | -     |
| Loss on Disposal of Capital and Other Assets                         | -   | 3     | -     |
| Disposal of Capital Assets   | -   | -     | 1,376 |



## FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the State in its governmental capacity on behalf of local governments, citizens, and other external parties. Pension and Other Employee Benefits Trust Funds are included in this category. The major components of the remaining fiduciary funds are:

### PRIVATE PURPOSE TRUST FUNDS

#### TREASURER'S

This fund primarily includes moneys managed by the State Treasurer on behalf of qualified charter schools (those charter schools meeting specific statutory requirements) to finance capital construction with bonds guaranteed by the moneys in this fund. Qualified charter schools choosing to participate in this program make annual payments to the fund that may be used by the Treasurer to make debt service payments if any of the qualified schools is unable to do so.

#### UNCLAIMED PROPERTY

This fund comprises a portion of the escheats funds managed by the State Treasurer. The receipts of the fund are from bank accounts, investment accounts, and insurance proceeds that are placed with the State when the owners of the assets cannot be located. The owner's legal rights to the asset are protected in perpetuity. The fund reports Net Assets Held in Trust for the amount ultimately expected to be claimed and paid based on analysis of the history of claims paid versus collections. The remaining unclaimed assets are reported in the Unclaimed Property nonmajor Special Revenue Fund.

#### COLLEGE SAVINGS PLAN

The College Savings Plan (commonly referred to as the Scholars Choice Fund) authorized in statute is used to record the deposits, withdrawals, and investment returns of participants in the college savings program. The moneys in the fund are neither insured nor guaranteed by the State.

#### COLLEGE OPPORTUNITY FUND

The College Opportunity Fund (COF) began operations in Fiscal Year 2005-06. It receives stipends appropriated by the Legislature and distributes them to qualified institutions on behalf of students attending public and certain private institutions of higher education in the State. The appropriated amounts are held in trust in the COF until the institutions apply for the stipend on behalf of the students. The COF administrator only distributes the stipend to the higher education institution as directed by the student. Any unused stipends remain in the COF and do not revert to the State.

MULTI-STATE LOTTERY WINNERS

The Multistate Lottery Winners Fund was created in Fiscal Year 2007-08 to account for the Colorado Lottery's investments held by the Multi-State Lottery Association (MUSL) for the benefit of Colorado's Powerball annuity prize winners. The winnings are invested by MUSL in bond funds with staggered maturities that correspond with the annual payments required under the terms of the annuity. Under an agreement with MUSL, the Colorado Lottery is responsible for making payments to the Colorado winners.

OTHER

This fund primarily accounts for receipts collected from racetracks and simulcast facilities for distribution to horse breeders and associations who participate in state-regulated parimutuel horse racing.

AGENCY FUNDS

These funds are held in custody for others. Major items include litigation settlement escrow accounts; contractor's performance escrow accounts; sales taxes collected for cities and counties; deposits held to ensure land restoration by mining and oil exploration companies; amounts held for the trustee related to the most recent issuance of Certificates of Participation for Higher Education Institutions, Building Excellent Schools Today (BEST), the Ralph L. Carr Justice Complex, and the Colorado History Center; the Bridge Enterprise program; and assets invested for the Colorado Water Resources and Power Development Authority (a discretely presented component unit).

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
PRIVATE PURPOSE TRUST FUNDS  
JUNE 30, 2011**

(DOLLARS IN THOUSANDS)

|  | TREASURER'S     | UNCLAIMED<br>PROPERTY | COLLEGE<br>SAVINGS<br>PLAN |
|--|-----------------|-----------------------|----------------------------|
| <b>ASSETS:</b>                                 |                 |                       |                            |
| Current Assets:                                |                 |                       |                            |
| Cash and Pooled Cash                           | \$ 3,512        | \$ 92,712             | \$ 9,860                   |
| Other Receivables, net                         | 7               | -                     | 6,946                      |
| Due From Other Funds                           | -               | -                     | 4,766                      |
| Noncurrent Assets:                             |                 |                       |                            |
| Investments:                                   |                 |                       |                            |
| Government Securities                          | -               | -                     | 2,534                      |
| Repurchase Agreements                          | -               | -                     | 748                        |
| Mutual Funds                                   | -               | -                     | 4,015,280                  |
| Other Investments                              | -               | -                     | 38,698                     |
| <b>TOTAL ASSETS</b>                            | <b>3,519</b>    | <b>92,712</b>         | <b>4,078,832</b>           |
| <b>LIABILITIES:</b>                            |                 |                       |                            |
| Current Liabilities:                           |                 |                       |                            |
| Accounts Payable and Accrued Liabilities       | -               | -                     | 7,386                      |
| Deferred Revenue                               | -               | -                     | 1,737                      |
| Noncurrent Liabilities:                        |                 |                       |                            |
| Deposits Held In Custody For Others            | -               | -                     | 2,919                      |
| <b>TOTAL LIABILITIES</b>                       | <b>-</b>        | <b>-</b>              | <b>12,042</b>              |
| <b>NET ASSETS:</b>                             |                 |                       |                            |
| Held in Trust for:                             |                 |                       |                            |
| Individuals, Organizations, and Other Entities | 3,519           | 92,712                | 4,066,790                  |
| <b>TOTAL NET ASSETS</b>                        | <b>\$ 3,519</b> | <b>\$ 92,712</b>      | <b>\$ 4,066,790</b>        |



| COLLEGE<br>OPPORTUNITY<br>FUND | MULTISTATE<br>LOTTERY<br>WINNERS | OTHER    | TOTALS       |
|--------------------------------|----------------------------------|----------|--------------|
| \$ -                           | \$ -                             | \$ 6,393 | \$ 112,477   |
| -                              | -                                | 2,562    | 9,515        |
| -                              | -                                | -        | 4,766        |
| -                              | 10,288                           | 589      | 13,411       |
| -                              | -                                | -        | 748          |
| -                              | -                                | -        | 4,015,280    |
| -                              | -                                | -        | 38,698       |
| -                              | 10,288                           | 9,544    | 4,194,895    |
| -                              | -                                | 761      | 8,147        |
| -                              | -                                | 7,454    | 9,191        |
| -                              | -                                | -        | 2,919        |
| -                              | -                                | 8,215    | 20,257       |
| -                              | 10,288                           | 1,329    | 4,174,638    |
| \$ -                           | \$ 10,288                        | \$ 1,329 | \$ 4,174,638 |

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PRIVATE PURPOSE TRUST FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

| (DOLLARS IN THOUSANDS)                       | TREASURER'S     | UNCLAIMED<br>PROPERTY | COLLEGE<br>SAVINGS<br>PLAN |
|--|-----------------|-----------------------|----------------------------|
| <b>ADDITIONS:</b>                            |                 |                       |                            |
| Additions By Participants                    | \$ -            | \$ -                  | \$ 539,436                 |
| Investment Income/(Loss)                     | 31              | 1,056                 | 614,031                    |
| Unclaimed Property Receipts                  | -               | 24,939                | -                          |
| Other Additions                              | 608             | -                     | 684                        |
| <b>TOTAL ADDITIONS</b>                       | <b>639</b>      | <b>25,995</b>         | <b>1,154,151</b>           |
| <b>DEDUCTIONS:</b>                           |                 |                       |                            |
| Distributions to Participants                | -               | -                     | -                          |
| Payments in Accordance with Trust Agreements | 213             | 23,027                | 389,095                    |
| Transfers-Out                                | -               | -                     | -                          |
| <b>TOTAL DEDUCTIONS</b>                      | <b>213</b>      | <b>23,027</b>         | <b>389,095</b>             |
| <b>CHANGE IN NET ASSETS</b>                  | <b>426</b>      | <b>2,968</b>          | <b>765,056</b>             |
| <b>NET ASSETS - FISCAL YEAR BEGINNING</b>    | <b>3,093</b>    | <b>89,744</b>         | <b>3,301,734</b>           |
| <b>NET ASSETS - FISCAL YEAR ENDING</b>       | <b>\$ 3,519</b> | <b>\$ 92,712</b>      | <b>\$ 4,066,790</b>        |

| COLLEGE<br>OPPORTUNITY<br>FUND | MULTISTATE<br>LOTTERY<br>WINNERS | OTHER    | TOTALS       |
|--------------------------------|----------------------------------|----------|--------------|
| \$ 266,934                     | \$ -                             | \$ 5,960 | \$ 812,330   |
| -                              | 10                               | 102      | 615,230      |
| -                              | -                                | -        | 24,939       |
| -                              | -                                | 1,575    | 2,867        |
| 266,934                        | 10                               | 7,637    | 1,455,366    |
| 266,934                        | 401                              | -        | 267,335      |
| -                              | -                                | 7,450    | 419,785      |
| -                              | -                                | 92       | 92           |
| 266,934                        | 401                              | 7,542    | 687,212      |
| -                              | (391)                            | 95       | 768,154      |
| -                              | 10,679                           | 1,234    | 3,406,484    |
| \$ -                           | \$ 10,288                        | \$ 1,329 | \$ 4,174,638 |

**COMBINING STATEMENT OF CHANGES  
IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**DEPARTMENT OF REVENUE AGENCY FUNDS**

| (DOLLARS IN THOUSANDS)                   | BALANCE<br>JULY 1 | ADDITIONS           | DEDUCTIONS          | BALANCE<br>JUNE 30 |
|--|-------------------|---------------------|---------------------|--------------------|
| <b>ASSETS:</b>                           |                   |                     |                     |                    |
| Cash and Pooled Cash                     | \$ 92,707         | \$ 2,227,341        | \$ 2,224,728        | \$ 95,320          |
| Taxes Receivable, net                    | 135,716           | 27,319              | 35,224              | 127,811            |
| <b>TOTAL ASSETS</b>                      | <b>\$ 228,423</b> | <b>\$ 2,254,660</b> | <b>\$ 2,259,952</b> | <b>\$ 223,131</b>  |
| <b>LIABILITIES:</b>                      |                   |                     |                     |                    |
| Tax Refunds Payable                      | \$ 5,524          | \$ 1,793            | \$ 2,903            | \$ 4,414           |
| Accounts Payable and Accrued Liabilities | -                 | 5                   | 5                   | -                  |
| Due To Other Governments                 | 215,512           | 2,654,222           | 2,659,812           | 209,922            |
| Claims and Judgments Payable             | 241               | 3,112               | 3,224               | 129                |
| Other Long-Term Liabilities              | 7,146             | 1,609               | 89                  | 8,666              |
| <b>TOTAL LIABILITIES</b>                 | <b>\$ 228,423</b> | <b>\$ 2,660,741</b> | <b>\$ 2,666,033</b> | <b>\$ 223,131</b>  |

**OTHER AGENCY FUNDS**

| (DOLLARS IN THOUSANDS)                   | BALANCE<br>JULY 1 | ADDITIONS         | DEDUCTIONS        | BALANCE<br>JUNE 30 |
|--|-------------------|-------------------|-------------------|--------------------|
| <b>ASSETS:</b>                           |                   |                   |                   |                    |
| Cash and Pooled Cash                     | \$ 91,406         | \$ 194,110        | \$ 189,575        | \$ 95,941          |
| Taxes Receivable, net                    | 4,189             | 1,357             | 877               | 4,669              |
| Other Receivables, net                   | 514               | 2,306             | 2,441             | 379                |
| Due From Other Funds                     | -                 | -                 | -                 | -                  |
| Inventories                              | 3                 | 54                | 51                | 6                  |
| Other Long-Term Assets                   | 19,384            | 1,835             | 2,051             | 19,168             |
| <b>TOTAL ASSETS</b>                      | <b>\$ 115,496</b> | <b>\$ 199,662</b> | <b>\$ 194,995</b> | <b>\$ 120,163</b>  |
| <b>LIABILITIES:</b>                      |                   |                   |                   |                    |
| Tax Refunds Payable                      | \$ 350            | \$ -              | \$ 271            | \$ 79              |
| Accounts Payable and Accrued Liabilities | 2,040             | 16,333            | 17,235            | 1,138              |
| Due To Other Governments                 | 6,654             | 96,480            | 95,484            | 7,650              |
| Due To Other Funds                       | 47                | 18,051            | 18,059            | 39                 |
| Deferred Revenue                         | -                 | 203               | 203               | -                  |
| Claims and Judgments Payable             | 381               | 94                | 88                | 387                |
| Notes, Bonds, and COPs Payable           | -                 | 116               | 116               | -                  |
| Other Current Liabilities                | 101,634           | 89,519            | 83,427            | 107,726            |
| Deposits Held In Custody For Others      | 3,690             | 933               | 2,196             | 2,427              |
| Other Long-Term Liabilities              | 700               | 17                | -                 | 717                |
| <b>TOTAL LIABILITIES</b>                 | <b>\$ 115,496</b> | <b>\$ 221,746</b> | <b>\$ 217,079</b> | <b>\$ 120,163</b>  |

**DEPARTMENT OF TREASURY AGENCY FUNDS**

| (DOLLARS IN THOUSANDS)                   | BALANCE<br>JULY 1 | ADDITIONS         | DEDUCTIONS        | BALANCE<br>JUNE 30 |
|--|-------------------|-------------------|-------------------|--------------------|
| <b>ASSETS:</b>                           |                   |                   |                   |                    |
| Cash and Pooled Cash                     | \$ 655,432        | \$ 776,042        | \$ 449,064        | \$ 982,410         |
| Due From Other Funds                     | 15,039            | 12,144            | 15,039            | 12,144             |
| <b>TOTAL ASSETS</b>                      | <b>\$ 670,471</b> | <b>\$ 788,186</b> | <b>\$ 464,103</b> | <b>\$ 994,554</b>  |
| <b>LIABILITIES:</b>                      |                   |                   |                   |                    |
| Accounts Payable and Accrued Liabilities | \$ 1              | \$ 159            | \$ 155            | \$ 5               |
| Other Current Liabilities                | 622,874           | 786,878           | 453,228           | 956,524            |
| Deposits Held In Custody For Others      | 47,596            | 4,149             | 13,720            | 38,025             |
| <b>TOTAL LIABILITIES</b>                 | <b>\$ 670,471</b> | <b>\$ 791,186</b> | <b>\$ 467,103</b> | <b>\$ 994,554</b>  |

**TOTALS - ALL AGENCY FUNDS**

| (DOLLARS IN THOUSANDS)                   | BALANCE<br>JULY 1   | ADDITIONS           | DEDUCTIONS          | BALANCE<br>JUNE 30  |
|--|---------------------|---------------------|---------------------|---------------------|
| <b>ASSETS:</b>                           |                     |                     |                     |                     |
| Cash and Pooled Cash                     | \$ 839,545          | \$ 3,197,493        | \$ 2,863,367        | \$ 1,173,671        |
| Taxes Receivable, net                    | 139,905             | 28,676              | 36,101              | 132,480             |
| Other Receivables, net                   | 514                 | 2,306               | 2,441               | 379                 |
| Due From Other Funds                     | 15,039              | 12,144              | 15,039              | 12,144              |
| Inventories                              | 3                   | 54                  | 51                  | 6                   |
| Other Long-Term Assets                   | 19,384              | 1,835               | 2,051               | 19,168              |
| <b>TOTAL ASSETS</b>                      | <b>\$ 1,014,390</b> | <b>\$ 3,242,508</b> | <b>\$ 2,919,050</b> | <b>\$ 1,337,848</b> |
| <b>LIABILITIES:</b>                      |                     |                     |                     |                     |
| Tax Refunds Payable                      | \$ 5,874            | \$ 1,793            | \$ 3,174            | \$ 4,493            |
| Accounts Payable and Accrued Liabilities | 2,041               | 16,497              | 17,395              | 1,143               |
| Due To Other Governments                 | 222,166             | 2,750,702           | 2,755,296           | 217,572             |
| Due To Other Funds                       | 47                  | 18,051              | 18,059              | 39                  |
| Deferred Revenue                         | -                   | 203                 | 203                 | -                   |
| Claims and Judgments Payable             | 622                 | 3,206               | 3,312               | 516                 |
| Notes, Bonds, and COPs Payable           | -                   | 116                 | 116                 | -                   |
| Other Current Liabilities                | 724,508             | 876,397             | 536,655             | 1,064,250           |
| Deposits Held In Custody For Others      | 51,286              | 5,082               | 15,916              | 40,452              |
| Other Long-Term Liabilities              | 7,846               | 1,626               | 89                  | 9,383               |
| <b>TOTAL LIABILITIES</b>                 | <b>\$ 1,014,390</b> | <b>\$ 3,673,673</b> | <b>\$ 3,350,215</b> | <b>\$ 1,337,848</b> |



## **COMPONENT UNITS**

The following statements present the Other Component Units (Nonmajor) aggregated in the combined component unit statements beginning on page 66. Descriptions of each of the nonmajor component units can be found in Note 39 on page 149.

**COMBINING STATEMENT OF NET ASSETS  
OTHER COMPONENT UNITS (NONMAJOR)  
JUNE 30, 2011**

| (DOLLARS IN THOUSANDS)                             | DENVER<br>METROPOLITAN<br>MAJOR LEAGUE<br>BASEBALL STADIUM<br>DISTRICT | COVER<br>COLORADO | VENTURE<br>CAPITAL<br>AUTHORITY |
|--|--|-------------------|---------------------------------|
| <b>ASSETS:</b>                                     |  |                   |                                 |
| <b>Current Assets:</b>                             |  |                   |                                 |
| Cash and Pooled Cash                               | \$ 2,262   | \$ 9,291          | \$ 6,725                        |
| Investments  | -  | 72,810            | -                               |
| Contributions Receivable, net                      | -  | -                 | 4,150                           |
| Other Receivables, net                             | 73   | 1,604             | 31                              |
| Due From Other Governments                         | -  | -                 | -                               |
| Prepays, Advances, and Deferred Charges            | 6  | -                 | -                               |
| Other Current Assets                               | -  | -                 | -                               |
| <b>Total Current Assets</b>                        | <b>2,341</b>   | <b>83,705</b>     | <b>10,906</b>                   |
| <b>Noncurrent Assets:</b>                          |  |                   |                                 |
| Restricted Cash and Pooled Cash                    | -  | -                 | -                               |
| Investments  | -  | -                 | 24,538                          |
| Contributions Receivable, net                      | -  | -                 | -                               |
| Other Long-Term Assets                             | 624  | -                 | 12,450                          |
| Depreciable Capital Assets and Infrastructure, net | 122,767  | 11                | -                               |
| Land and Nondepreciable Infrastructure             | 20,256   | -                 | -                               |
| <b>Total Noncurrent Assets</b>                     | <b>143,647</b>   | <b>11</b>         | <b>36,988</b>                   |
| <b>TOTAL ASSETS</b>                                | <b>145,988</b>   | <b>83,716</b>     | <b>47,894</b>                   |
| <b>LIABILITIES:</b>                                |  |                   |                                 |
| <b>Current Liabilities:</b>                        |  |                   |                                 |
| Accounts Payable and Accrued Liabilities           | 67   | 118               | -                               |
| Deferred Revenue                                   | -  | 4,953             | 4,150                           |
| Claims and Judgments Payable                       | -  | 26,910            | -                               |
| Notes, Bonds, and COPs Payable                     | 291  | -                 | -                               |
| Other Current Liabilities                          | 89   | -                 | -                               |
| <b>Total Current Liabilities</b>                   | <b>447</b>   | <b>31,981</b>     | <b>4,150</b>                    |
| <b>Noncurrent Liabilities:</b>                     |  |                   |                                 |
| Deposits Held In Custody For Others                | -  | -                 | -                               |
| Notes, Bonds, and COPs Payable                     | 627  | -                 | -                               |
| Other Long-Term Liabilities                        | 12   | -                 | 12,450                          |
| <b>Total Noncurrent Liabilities</b>                | <b>639</b>   | <b>-</b>          | <b>12,450</b>                   |
| <b>TOTAL LIABILITIES</b>                           | <b>1,086</b>   | <b>31,981</b>     | <b>16,600</b>                   |
| <b>NET ASSETS:</b>                                 |  |                   |                                 |
| Invested in Capital Assets, Net of Related Debt    | 142,066  | 11                | -                               |
| Restricted for:                                    |  |                   |                                 |
| Emergencies  | 24   | -                 | -                               |
| Expendable   | -  | -                 | -                               |
| Other Purposes                                     | -  | 51,724            | -                               |
| Unrestricted                                       | 2,812  | -                 | 31,294                          |
| <b>TOTAL NET ASSETS</b>                            | <b>\$ 144,902</b>  | <b>\$ 51,735</b>  | <b>\$ 31,294</b>                |



| RENEWABLE ENERGY AUTHORITY | HIGHER EDUCATION COMPETITIVE RESEARCH AUTHORITY | STATEWIDE INTERNET PORTAL AUTHORITY | HLC @ METRO | UNIVERSITY OF COLORADO REAL ESTATE FOUNDATION | TOTAL      |
|----------------------------|---|-------------------------------------|-------------|---|------------|
| \$ 10                      | \$ 1,687  | \$ 1,072                            | \$ 44,110   | \$ 4,522                                      | \$ 69,679  |
| -                          | -   | -                                   | -           | -   | 72,810     |
| -                          | -   | -                                   | -           | 521   | 4,671      |
| 2,000                      | -   | 453                                 | -           | 219   | 4,380      |
| -                          | -   | -                                   | 403         | -   | 403        |
| -                          | -   | 27                                  | -           | 61  | 94         |
| -                          | -   | -                                   | -           | 435   | 435        |
| 2,010                      | 1,687   | 1,552                               | 44,513      | 5,758   | 152,472    |
| -                          | -   | -                                   | -           | 3,861   | 3,861      |
| 1,416                      | -   | -                                   | -           | 6,136   | 32,090     |
| -                          | -   | -                                   | -           | 910   | 910        |
| -                          | -   | -                                   | 1,783       | 6,634   | 21,491     |
| -                          | -   | 11                                  | -           | 46,352  | 169,141    |
| -                          | -   | -                                   | 14,112      | 14,675  | 49,043     |
| 1,416                      | -   | 11                                  | 15,895      | 78,568  | 276,536    |
| 3,426                      | 1,687   | 1,563                               | 60,408      | 84,326  | 429,008    |
| -                          | -   | 415                                 | 6,425       | 760   | 7,785      |
| -                          | -   | -                                   | -           | 772   | 9,875      |
| -                          | -   | -                                   | -           | -   | 26,910     |
| -                          | -   | -                                   | -           | 217   | 508        |
| -                          | -   | -                                   | 170         | -   | 259        |
| -                          | -   | 415                                 | 6,595       | 1,749   | 45,337     |
| -                          | -   | -                                   | -           | 44  | 44         |
| -                          | -   | -                                   | 54,640      | 68,673  | 123,940    |
| -                          | -   | -                                   | -           | -   | 12,462     |
| -                          | -   | -                                   | 54,640      | 68,717  | 136,446    |
| -                          | -   | 415                                 | 61,235      | 70,466  | 181,783    |
| -                          | -   | 11                                  | -           | (7,297)                                       | 134,791    |
| -                          | -   | -                                   | -           | -   | 24         |
| -                          | -   | -                                   | -           | 4,981   | 4,981      |
| 3,426                      | 1,686   | -                                   | -           | -   | 56,836     |
| -                          | 1   | 1,137                               | (827)       | 16,176  | 50,593     |
| \$ 3,426                   | \$ 1,687  | \$ 1,148                            | \$ (827)    | \$ 13,860                                     | \$ 247,225 |

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS  
OTHER COMPONENT UNITS (NONMAJOR)  
FOR THE YEAR ENDED JUNE 30, 2011**

| (DOLLARS IN THOUSANDS)                                  | DENVER<br>METROPOLITAN<br>MAJOR LEAGUE<br>BASEBALL STADIUM<br>DISTRICT | COVER<br>COLORADO | VENTURE<br>CAPITAL<br>AUTHORITY |
|---|--|-------------------|---------------------------------|
| <b>OPERATING REVENUES:</b>                              |  |                   |                                 |
| Fees  | \$ -   | \$ 82,491         | \$ -                            |
| Investment Income (Loss)                                | -  | -                 | 4,824                           |
| Rental Income   | 777  | -                 | -                               |
| Gifts and Donations                                     | -  | -                 | -                               |
| Federal Grants and Contracts                            | -  | 1,319             | -                               |
| Other   | -  | -                 | -                               |
| <b>TOTAL OPERATING REVENUES</b>                         | <b>777</b>   | <b>83,810</b>     | <b>4,824</b>                    |
| <b>OPERATING EXPENSES:</b>                              |  |                   |                                 |
| Operating and Travel                                    | 108  | 116,837           | 69                              |
| Depreciation and Amortization                           | 4,055  | 11                | -                               |
| <b>TOTAL OPERATING EXPENSES</b>                         | <b>4,163</b>   | <b>116,848</b>    | <b>69</b>                       |
| <b>OPERATING INCOME (LOSS)</b>                          | <b>(3,386)</b>   | <b>(33,038)</b>   | <b>4,755</b>                    |
| <b>NONOPERATING REVENUES AND (EXPENSES):</b>            |  |                   |                                 |
| Investment Income (Loss)                                | 1  | 1,130             | 179                             |
| Gifts and Donations                                     | -  | 5,000             | 4,243                           |
| Other Expenses  | -  | -                 | -                               |
| Other Revenues  | 482  | 29,142            | -                               |
| <b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>           | <b>483</b>   | <b>35,272</b>     | <b>4,422</b>                    |
| <b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b> | <b>(2,903)</b>   | <b>2,234</b>      | <b>9,177</b>                    |
| <b>CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:</b>       |  |                   |                                 |
| Transfers-In  | -  | -                 | -                               |
| Transfers-Out   | -  | -                 | -                               |
| <b>TOTAL CONTRIBUTIONS AND TRANSFERS</b>                | <b>-</b>   | <b>-</b>          | <b>-</b>                        |
| <b>CHANGE IN NET ASSETS</b>                             | <b>(2,903)</b>   | <b>2,234</b>      | <b>9,177</b>                    |
| <b>NET ASSETS - FISCAL YEAR BEGINNING</b>               | <b>147,805</b>   | <b>49,501</b>     | <b>22,117</b>                   |
| <b>NET ASSETS - FISCAL YEAR ENDING</b>                  | <b>\$ 144,902</b>  | <b>\$ 51,735</b>  | <b>\$ 31,294</b>                |

| RENEWABLE ENERGY AUTHORITY | HIGHER EDUCATION COMPETITIVE RESEARCH AUTHORITY | STATEWIDE INTERNET PORTAL AUTHORITY | HLC @ METRO | UNIVERSITY OF COLORADO REAL ESTATE FOUNDATION | TOTAL      |
|----------------------------|---|-------------------------------------|-------------|---|------------|
| \$ -                       | \$ -  | \$ 2,693                            | \$ -        | \$ 859  | \$ 86,043  |
| 1                          | 1   | -                                   | -           | 91  | 4,917      |
| -                          | -   | -                                   | -           | 8,395   | 9,172      |
| -                          | -   | -                                   | -           | 1,681   | 1,681      |
| 2,000                      | -   | -                                   | -           | -   | 3,319      |
| -                          | 2,331   | 63                                  | -           | 146   | 2,540      |
| 2,001                      | 2,332   | 2,756                               | -           | 11,172  | 107,672    |
| 1,567                      | 1,204   | 2,421                               | 123         | 8,993   | 131,322    |
| -                          | -   | 27                                  | 157         | 2,450   | 6,700      |
| 1,567                      | 1,204   | 2,448                               | 280         | 11,443  | 138,022    |
| 434                        | 1,128   | 308                                 | (280)       | (271)   | (30,350)   |
| -                          | -   | -                                   | 911         | -   | 2,221      |
| -                          | -   | -                                   | -           | -   | 9,243      |
| -                          | -   | -                                   | (2,177)     | (872)   | (3,049)    |
| -                          | -   | -                                   | 719         | -   | 30,343     |
| -                          | -   | -                                   | (547)       | (872)   | 38,758     |
| 434                        | 1,128   | 308                                 | (827)       | (1,143)                                       | 8,408      |
| -                          | -   | -                                   | -           | -   | -          |
| -                          | -   | -                                   | -           | -   | -          |
| -                          | -   | -                                   | -           | -   | -          |
| 434                        | 1,128   | 308                                 | (827)       | (1,143)                                       | 8,408      |
| 2,992                      | 559   | 840                                 | -           | 15,003  | 238,817    |
| \$ 3,426                   | \$ 1,687  | \$ 1,148                            | \$ (827)    | \$ 13,860                                     | \$ 247,225 |



## CAPITAL ASSETS

The following schedule presents the capital assets net of accumulated depreciation used in governmental activities by function and by department. The schedule includes the capital assets of the Internal Service Funds because those funds primarily sell to governmental activities. This treatment matches the presentation of the capital assets on the government-wide *Statement of Net Assets*. Except for the Internal Service Fund capital assets, the assets on this schedule are generally not reported on the fund-level financial statements.

**SCHEDULE OF CAPITAL ASSETS  
USED IN GOVERNMENTAL ACTIVITIES  
INCLUDING INTERNAL SERVICE FUNDS  
BY FUNCTION AND DEPARTMENT  
JUNE 30, 2011**

(DOLLARS IN THOUSANDS)

|   | LAND              | LAND AND<br>LEASEHOLD<br>IMPROVEMENTS | BUILDINGS           | LIBRARY<br>BOOKS AND<br>COLLECTIONS |
|---|-------------------|---------------------------------------|---------------------|-------------------------------------|
| <b>GENERAL GOVERNMENT</b>                         |                   |                                       |                     |                                     |
| Governor's Office                                 | \$ -              | \$ 56                                 | \$ -                | \$ -                                |
| Legislature                                       | -                 | 4                                     | -                   | -                                   |
| Military Affairs                                  | 3,155             | 1,614                                 | 31,165              | -                                   |
| Personnel & Administration                        | 5,739             | 2,404                                 | 74,333              | -                                   |
| Revenue   | -                 | 1,608                                 | 1,878               | -                                   |
| <b>Subtotal</b>                                   | <b>8,894</b>      | <b>5,686</b>                          | <b>107,376</b>      | <b>-</b>                            |
| <b>BUSINESS, COMMUNITY &amp; CONSUMER AFFAIRS</b> |                   |                                       |                     |                                     |
| Agriculture                                       | 102               | -                                     | 1,852               | -                                   |
| <sup>1</sup> GOV, GEO, OEDIT                      | -                 | -                                     | -                   | 48                                  |
| Labor and Employment                              | 543               | 242                                   | 7,031               | -                                   |
| Local Affairs                                     | -                 | 87                                    | 1,247               | -                                   |
| Regulatory Agencies                               | -                 | -                                     | -                   | -                                   |
| Revenue   | 536               | -                                     | 1,030               | -                                   |
| State   | -                 | -                                     | -                   | -                                   |
| <b>Subtotal</b>                                   | <b>1,181</b>      | <b>329</b>                            | <b>11,160</b>       | <b>48</b>                           |
| <b>EDUCATION</b>                                  |                   |                                       |                     |                                     |
| Education   | 152               | 60                                    | 10,180              | 1,549                               |
| Higher Education                                  | 1,842             | 1,095                                 | 4,675               | 8,929                               |
| <b>Subtotal</b>                                   | <b>1,994</b>      | <b>1,155</b>                          | <b>14,855</b>       | <b>10,478</b>                       |
| <b>HEALTH AND REHABILITATION</b>                  |                   |                                       |                     |                                     |
| Public Health and Environment                     | 188               | 10                                    | 5,692               | -                                   |
| Human Services                                    | 3,068             | 4,198                                 | 92,990              | -                                   |
| <b>Subtotal</b>                                   | <b>3,256</b>      | <b>4,208</b>                          | <b>98,682</b>       | <b>-</b>                            |
| <b>JUSTICE</b>                                    |                   |                                       |                     |                                     |
| Corrections                                       | 3,872             | 3,806                                 | 633,092             | -                                   |
| DHS, Division of Youth Services                   | 1,675             | 634                                   | 95,742              | -                                   |
| Judicial  | 1,605             | 279                                   | -                   | 628                                 |
| Law   | -                 | -                                     | -                   | -                                   |
| Public Safety                                     | 1,399             | 335                                   | 21,621              | -                                   |
| <b>Subtotal</b>                                   | <b>8,551</b>      | <b>5,054</b>                          | <b>750,455</b>      | <b>628</b>                          |
| <b>NATURAL RESOURCES</b>                          |                   |                                       |                     |                                     |
| Natural Resources                                 | 104,433           | 35,987                                | 33,321              | -                                   |
| <b>SOCIAL ASSISTANCE</b>                          |                   |                                       |                     |                                     |
| Human Services                                    | -                 | 464                                   | 2,753               | -                                   |
| Military Affairs                                  | 36                | 1,863                                 | 2,211               | -                                   |
| Health Care Policy and Financing                  | -                 | -                                     | -                   | -                                   |
| <b>Subtotal</b>                                   | <b>36</b>         | <b>2,327</b>                          | <b>4,964</b>        | <b>-</b>                            |
| <b>TRANSPORTATION</b>                             |                   |                                       |                     |                                     |
| Transportation                                    | 15,295            | 162                                   | 100,914             | -                                   |
| <b>TOTAL CAPITAL ASSETS</b>                       | <b>\$ 143,640</b> | <b>\$ 54,908</b>                      | <b>\$ 1,121,727</b> | <b>\$ 11,154</b>                    |

<sup>1</sup>Governor's Office, Governor's Energy Office, and the Office of Economic Development and International Trade

| VEHICLES AND<br>EQUIPMENT | SOFTWARE   | OTHER<br>CAPITAL<br>ASSETS | CONSTRUCTION<br>IN<br>PROGRESS | INFRASTRUCTURE | TOTALS        |
|---------------------------|------------|----------------------------|--------------------------------|----------------|---------------|
| \$ 24,526                 | \$ 3,953   | \$ 420                     | \$ -                           | \$ -           | \$ 28,955     |
| 429                       | 106        | -                          | -                              | -              | 539           |
| 519                       | (14)       | -                          | 28,371                         | -              | 64,810        |
| 49,177                    | 85         | -                          | 2,087                          | -              | 133,825       |
| 2,748                     | 19,655     | -                          | 4,086                          | -              | 29,975        |
| 77,399                    | 23,785     | 420                        | 34,544                         | -              | 258,104       |
| 1,588                     | 69         | -                          | 478                            | -              | 4,089         |
| 75                        | -          | -                          | -                              | -              | 123           |
| 1,865                     | 1,560      | 1,989                      | 4,597                          | -              | 17,827        |
| 238                       | 276        | -                          | -                              | -              | 1,848         |
| 137                       | 72         | -                          | -                              | -              | 209           |
| 45                        | -          | -                          | -                              | -              | 1,611         |
| 924                       | 1,126      | -                          | -                              | -              | 2,050         |
| 4,872                     | 3,103      | 1,989                      | 5,075                          | -              | 27,757        |
| 1,086                     | 1,558      | -                          | 125,793                        | -              | 140,378       |
| 1,642                     | 8          | -                          | 79,130                         | 56             | 97,377        |
| 2,728                     | 1,566      | -                          | 204,923                        | 56             | 237,755       |
| 3,493                     | 1,316      | 3,882                      | 1,118                          | -              | 15,699        |
| 2,094                     | -          | 61                         | 7,525                          | -              | 109,936       |
| 5,587                     | 1,316      | 3,943                      | 8,643                          | -              | 125,635       |
| 10,529                    | 674        | 727                        | 4,133                          | -              | 656,833       |
| 406                       | -          | -                          | 507                            | -              | 98,964        |
| 4,132                     | 565        | 798                        | 93,752                         | -              | 101,759       |
| 184                       | -          | -                          | -                              | -              | 184           |
| 6,733                     | 7,418      | 124                        | 671                            | -              | 38,301        |
| 21,984                    | 8,657      | 1,649                      | 99,063                         | -              | 896,041       |
| 6,082                     | 88         | 7,049                      | 16,568                         | 31,795         | 235,323       |
| 2,527                     | 64,359     | -                          | 19,688                         | -              | 89,791        |
| 7                         | -          | -                          | -                              | -              | 4,117         |
| 30                        | 11         | -                          | -                              | -              | 41            |
| 2,564                     | 64,370     | -                          | 19,688                         | -              | 93,949        |
| 123,571                   | 7,195      | -                          | 349,778                        | 8,640,761      | 9,237,676     |
| \$ 244,787                | \$ 110,080 | \$ 15,050                  | \$ 738,282                     | \$ 8,672,612   | \$ 11,112,240 |





## **OTHER FUNDS DETAIL**

In the combined and combining statements several fund categories show a column titled “Other”. The schedule on the following pages provide a summary of assets, liabilities, and net assets of the individually significant funds that comprise the columns titled “Other”. Most of the funds shown in the schedule are Special Revenue Funds that are statutorily authorized.

**COMBINING SCHEDULE OF INDIVIDUAL FUND  
ASSETS, LIABILITIES, AND NET ASSETS  
FOR OTHER PERMANENT, PRIVATE PURPOSE,  
ENTERPRISE, AND SPECIAL REVENUE FUNDS  
JUNE 30, 2011**

(Dollars in Thousands)

| FUND NAME   | Statutory Cite | Assets           | Liabilities     | Net Assets       |
|---|----------------|------------------|-----------------|------------------|
| <b>OTHER PERMANENT FUNDS</b>                          |                |                  |                 |                  |
| Wildlife for Future Generations (Nonexpendable)       | 33-1-112(7)    | 6,107            | -               | 6,107            |
| Wildlife for Future Generations (Expendable)          | 33-1-112       | 1,447            | 7               | 1,440            |
| Other Permanent-Nonexpendable                         | Various        | 755              | -               | 755              |
| Veterans Monument Preservation                        | 24-80-1401     | 70               | 3               | 67               |
| Hall Historical Marker-Nonexpendable                  | 24-80-209      | 7                | -               | 7                |
| <b>Total Other Permanent Funds</b>                    |                | <b>\$ 8,386</b>  | <b>\$ 10</b>    | <b>\$ 8,376</b>  |
| <b>OTHER PRIVATE PURPOSE TRUST FUNDS</b>              |                |                  |                 |                  |
| Supplemental Purse & Breeders Awards                  | 12-60-704      | 589              | -               | 589              |
| Early Intervention Services                           | 27-10.5-706    | 8,513            | 8,191           | 322              |
| Brand Estray Fund                                     | 35-41-102      | 219              | 1               | 218              |
| Americans with Disabilities Act Contractor Settlement | 24-34-301      | 155              | -               | 155              |
| Colorado Combined Campaign Administration             | Restricted     | 68               | 23              | 45               |
| <b>Total Other Private Purpose Funds</b>              |                | <b>\$ 9,544</b>  | <b>\$ 8,215</b> | <b>\$ 1,329</b>  |
| <b>OTHER ENTERPRISE FUNDS</b>                         |                |                  |                 |                  |
| Capitol Parking Fund                                  | None           | 15,303           | 6,921           | 8,382            |
| Grounds Cash Fund                                     | 26-1-133.5(2)  | 4,060            | 89              | 3,971            |
| Brand Inspection Fund                                 | 35-41-102      | 3,597            | 1,738           | 1,859            |
| Business Enterprise Program                           | 26-8.5-107     | 798              | 133             | 665              |
| Enterprise Services                                   | 24-80-209      | 383              | 85              | 298              |
| Clean Screen Authority                                | 42-3-304(19)   | 637              | 522             | 115              |
| Work Therapy  | None           | 76               | 20              | 56               |
| Other Enterprise Funds                                | Various        | 24               | -               | 24               |
| Conference & Training                                 | None           | 13               | -               | 13               |
| <b>Total Other Enterprise Funds</b>                   |                | <b>\$ 24,891</b> | <b>\$ 9,508</b> | <b>\$ 15,383</b> |
| <b>OTHER SPECIAL PURPOSE GENERAL FUNDS</b>            |                |                  |                 |                  |
| School Capital Construction Assistance-COPs           | 22-43.7-104    | 358,972          | 5,603           | 353,369          |
| School Capital Construction Assistance                | 22-43.7-104    | 40,653           | 6,938           | 33,715           |
| Department of Natural Resources Lottery Distribution  | 33-60-103(1)   | 27,012           | 1,626           | 25,386           |
| Economic Development Fund                             | 24-46-105      | 5,492            | 51              | 5,441            |
| Old Age Pension Stabilization                         | 26-2-116       | 5,000            | -               | 5,000            |
| Ballot Information Publication & District Fund        | 1-40-124.5     | 3,575            | -               | 3,575            |
| State Supplemental Security Income Stabilization      | 26-2-210(1)    | 1,523            | -               | 1,523            |
| Persistent Drunk Driver                               | 42-3-130.5     | 1,684            | 393             | 1,291            |
| Housing Development Grant Fund                        | 24-32-721      | 1,372            | 113             | 1,259            |
| Legislative Department Cash Fund                      | 2-2-1601(1)    | 1,067            | 37              | 1,030            |
| Charter School Institute Fund                         | 22-30.5-506    | 1,169            | 620             | 549              |
| Diseased Livestock Fund                               | 35-50-140.5    | 469              | -               | 469              |
| Charter School Capital Construction Assistance        | 22-30.5-515    | 452              | -               | 452              |
| Colorado Family Support Loan                          | 27-10.5-502    | 405              | -               | 405              |
| Legislative Expenses Fund                             | 2-3-1002(1)    | 385              | -               | 385              |
| Older Coloradans Cash Fund                            | 26-11-205.5    | 841              | 546             | 295              |
| Start Smart Nutrition Program                         | 22-82.7-105    | 332              | 42              | 290              |
| Advance Technology Fund                               | 25-16.5-105    | 550              | 264             | 286              |
| Conservation Trust Fund                               | 24-35-210(10)  | 10,532           | 10,256          | 276              |
| Drug Offender Treatment Fund                          | 18-19-103      | 237              | -               | 237              |
| Controlled Maintenance Trust-Nonexpendable            | 24-75-302.5    | 226              | -               | 226              |
| Real Estate Proceeds                                  | 28-3-106       | 211              | 1               | 210              |
| Highway Crossing                                      | 43-4-201       | 173              | -               | 173              |
| Colorado Heritage Communities Fund                    | 24-32-3207     | 177              | 18              | 159              |
| Child Protection Ombudsman Program                    | 19-3.3-107(1)  | 173              | 60              | 113              |
| Colorado National Guard Tuition Fund                  | 23-5-111.4     | 152              | 88              | 64               |

(Continued)

**COMBINING SCHEDULE OF INDIVIDUAL FUND  
ASSETS, LIABILITIES, AND NET ASSETS  
FOR OTHER PERMANENT, PRIVATE PURPOSE,  
ENTERPRISE, AND SPECIAL REVENUE FUNDS  
JUNE 30, 2011**

(Dollars in Thousands)

| FUND NAME  | Statutory Cite | Assets            | Liabilities      | Net Assets        |
|--|----------------|-------------------|------------------|-------------------|
| Colorado Health Care Services                            | 25.5-3-112     | 57                | -                | 57                |
| Youth Advisory Council                                   | 2-2-1306       | 1                 | -                | 1                 |
| Prepaid Wireless Trust Cash Fund                         | 29-11-102.5    | 1                 | 1                | -                 |
| School District Tax Revenue Anticipation Notes Repayment | 29-15-112(4)   | 7                 | 7                | -                 |
| COFRS Warehouse Inventory                                | NONE           | 642               | 642              | -                 |
|  |                | <u>\$ 463,542</u> | <u>\$ 27,306</u> | <u>\$ 436,236</u> |
| <b>OTHER SPECIAL REVENUE FUNDS</b>                       |                |                   |                  |                   |
| Aviation Fund  | 43-10-109      | 34,190            | 1,137            | 33,053            |
| Justice Center Cash Fund                                 | 13-32-101(7)   | 24,122            | -                | 24,122            |
| Judicial Stabilization Cash Fund                         | 13-32-101      | 18,447            | -                | 18,447            |
| Gear Up Scholarship Trust Fund                           | Restricted     | 17,902            | -                | 17,902            |
| Supreme Court Committee                                  | Court Rule 227 | 17,354            | 4,757            | 12,597            |
| Victims and Witnesses Assistance and Law Enforcement     | 24-4.2-104     | 11,363            | 32               | 11,331            |
| Fed Tax Relief Act - 2003                                | Restricted     | 9,286             | 192              | 9,094             |
| Victims Compensation                                     | 24-4.1-117     | 8,392             | 15               | 8,377             |
| Consumer Protection Custodial Funds                      | 6-1-103        | 7,632             | 53               | 7,579             |
| Offender Services  | 16-11-214      | 7,143             | -                | 7,143             |
| Secretary Of State Fees                                  | 24-21-104      | 7,967             | 1,737            | 6,230             |
| Auto Theft Prevention Cash Fund                          | 42-5-112(4a)   | 6,924             | 801              | 6,123             |
| Help America Vote Fund                                   | HAVA 2002      | 5,711             | 253              | 5,458             |
| Creative Industries Cash Fund                            | 24-48.5-301    | 4,725             | 91               | 4,634             |
| Division Of Registrations Cash Fund                      | 24-34-105      | 17,147            | 12,515           | 4,632             |
| Medical Marijuana License Fund                           | 12-43.3-501    | 5,803             | 1,861            | 3,942             |
| Other Expendable Trusts                                  | Various        | 22,472            | 18,625           | 3,847             |
| Conveyance Safety Fund                                   | 9-5.5-111(2)   | 3,811             | -                | 3,811             |
| Electronic Procurement Program                           | 24-102-202.5   | 2,986             | 5                | 2,981             |
| Travel and Tourism Additional                            | None           | 2,468             | 120              | 2,348             |
| Housing Rehabilitation Revolving Loans                   | 29-4-728       | 2,296             | -                | 2,296             |
| Court Security Cash Fund                                 | 13-1-204(1)    | 3,002             | 748              | 2,254             |
| Public School Construction & Inspection                  | 24-33.5-1207   | 2,066             | 75               | 1,991             |
| Motor Carrier  | 40-2-110.5     | 2,157             | 180              | 1,977             |
| Patient Benefit  | None           | 1,946             | 2                | 1,944             |
| Victims Assistance                                       | 24-33.5-506    | 2,121             | 229              | 1,892             |
| CBI Identification Unit                                  | 24-33.5-426    | 2,264             | 431              | 1,833             |
| Fixed Utilities  | 40-2-114       | 2,631             | 809              | 1,822             |
| Operating Vouchers                                       | None           | 4,416             | 2,709            | 1,707             |
| Texaco Oil Overcharge Fund                               | None           | 1,691             | -                | 1,691             |
| HUD Section 8 Vouchers Family Unification Program        | 29-4-708(k)    | 1,689             | 10               | 1,679             |
| Transportation Renovation                                | 43-1-210 6(b)  | 1,665             | -                | 1,665             |
| Inspection & Consumer Service Cash Fund                  | 35-1-106.5     | 2,494             | 933              | 1,561             |
| Plant Health, Pest Control, Environmental Protection     | 35-1-106.3(1)  | 3,176             | 1,776            | 1,400             |
| Criminal Alien Assistance Cash                           | 17-1-107.5     | 1,394             | -                | 1,394             |
| Law Examiners Board Fund Balance                         | Court Rule 201 | 1,386             | -                | 1,386             |
| Violent Offender Identification Fund                     | 24-33.5-415    | 1,556             | 186              | 1,370             |
| Process & End Users Waste Tire                           | 25-17-202.5    | 1,580             | 276              | 1,304             |
| Donations  | Various        | 11,128            | 9,848            | 1,280             |
| Disabled Telephone Users Fund                            | 40-17-104      | 1,454             | 191              | 1,263             |
| HUD Section 8 Vouchers-Administration                    | 29-4-708(k)    | 1,243             | 51               | 1,192             |
| Judicial Information Technology Cash Fund                | 13-32-114      | 1,162             | -                | 1,162             |
| Traumatic Brain Injury Fund                              | 26-1-210(1)    | 1,344             | 231              | 1,113             |
| Collaborative Management Incentive                       | 24-1.9-104(1)  | 1,232             | 140              | 1,092             |
| Mortgage Broker Registration                             | 12-61-908(2)   | 1,731             | 659              | 1,072             |
| Section 8 Pre Federal Fiscal Year 04                     | None           | 1,057             | -                | 1,057             |
| Public School Transportation                             | 22-51-103(1)   | 1,352             | 376              | 976               |

(Continued)

**COMBINING SCHEDULE OF INDIVIDUAL FUND  
ASSETS, LIABILITIES, AND NET ASSETS  
FOR OTHER PERMANENT, PRIVATE PURPOSE,  
ENTERPRISE, AND SPECIAL REVENUE FUNDS  
JUNE 30, 2011**

(Dollars in Thousands)

| FUND NAME  | Statutory Cite        | Assets     | Liabilities | Net Assets |
|--|-----------------------|------------|-------------|------------|
| Alcohol/Drug Driving Safety                        | 42-4-1301.3           | 914        | -           | 914        |
| Liquor Law Enforcement                             | 24-35-401             | 1,000      | 141         | 859        |
| Library Trust Fund                                 | 24-90-105             | 841        | 16          | 825        |
| Continuing Legal Education Fund Balance            | Court Rule 260        | 802        | -           | 802        |
| Colorado Dealer License Board                      | 12-6-123              | 971        | 195         | 776        |
| Uniform Consumer Credit Code Custodial Funds       | Restricted            | 755        | 39          | 716        |
| Real Estate Cash Fund                              | 12-61-111.5           | 3,998      | 3,305       | 693        |
| Attorney's Fees And Costs                          | 24-31-108(2)          | 690        | -           | 690        |
| Home Grant Revolving Loan Fund                     | None                  | 8,987      | 8,305       | 682        |
| Howard Fund  | 26-8-104(1)(c)        | 674        | -           | 674        |
| State Patrol Contraband                            | 24-33.5-225           | 680        | 8           | 672        |
| Police Officers Standards Training Board           | 24-31-303(2)          | 712        | 66          | 646        |
| Judicial Performance Cash Fund                     | 13-5.5-107            | 641        | 21          | 620        |
| Drug Offender Surcharge Fund                       | 18-19-103(4)          | 1,130      | 520         | 610        |
| Historical Society Unrestricted                    | 24-80-209             | 546        | -           | 546        |
| Domestic Abuse Program                             | 39-22-802             | 711        | 180         | 531        |
| Low Income Telephone Assist                        | 40-3.4-108(2)         | 525        | -           | 525        |
| Uniform Consumer Credit Code                       | Various               | 598        | 90          | 508        |
| Public Deposit Administration                      | 11-10.5-112           | 797        | 304         | 493        |
| Educator Licensure Cash Fund                       | 22-60.5-112           | 607        | 116         | 491        |
| Division Of Securities Cash Fund                   | Ex. Order 56-87       | 1,617      | 1,140       | 477        |
| Building Regulation Fund                           | 24-32-3309            | 471        | 34          | 437        |
| Racing Cash Fund                                   | 12-60-205             | 540        | 112         | 428        |
| Exxon Oil Overcharge Funds                         | None                  | 420        | -           | 420        |
| Financial Services Cash Fund                       | 11-40-106(2)          | 668        | 250         | 418        |
| Waste Tire Fire Prevent Fund                       | 25-17-202.8           | 383        | -           | 383        |
| Property Tax Exemption Fund                        | 39-2-117(3)           | 440        | 58          | 382        |
| Commercial Vehicle Enterprise                      | 42-1-225(1)           | 362        | -           | 362        |
| HUD Section 8 Veteran's Affairs Supportive Housing | 29-4-708(k)           | 340        | -           | 340        |
| Agricultural Products Inspection                   | 35-23-114(3)          | 639        | 330         | 309        |
| Patient Benefit Fund                               | 26-12-108(2)          | 279        | -           | 279        |
| Public Safety Inspection                           | 8-1-151               | 279        | -           | 279        |
| Food Distribution Program Service                  | 26-1-121(4b)          | 297        | 27          | 270        |
| Western Slope Military Veteran's Cemetary          | 28-5-708              | 271        | 11          | 260        |
| Diamond Shamrock Settlement                        | None                  | 245        | -           | 245        |
| Vickers Oil Overcharge Funds                       | Executive Order 56-87 | 222        | -           | 222        |
| Notary Administration Cash Fund                    | 12-55-102.5           | 233        | 18          | 215        |
| 133 Funds with Net Assets Below \$200,000          |                       | 24,797     | 18,720      | 6,077      |
| Total Other Special Revenue Funds                  |                       | \$ 356,160 | \$ 96,060   | \$ 260,100 |



# Statistical Section

**Comprehensive Annual  
Financial Report**

**For the Fiscal Year Ended  
June 30, 2011**



## STATISTICAL SECTION

This section of the State of Colorado’s Comprehensive Annual Financial Report presents detailed current and historical information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State’s overall financial health.

### FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the State’s financial performance and fiscal health have changed over time at both the entity wide and fund-level perspectives.

### REVENUE CAPACITY

These schedules contain information to help the reader assess the factors affecting the State’s ability to generate and retain major revenue streams including income and sales taxes.

### DEBT CAPACITY

These schedules present information to help the reader assess the sustainability of the State’s current levels of outstanding debt and the State’s ability to issue additional debt in the future.

### DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the State’s financial activities take place.

### OPERATING INFORMATION

These schedules contain information about the State’s operations and resources to help the reader understand how the information in the State’s financial report relates to the services the State provides and the activities it performs.

**GOVERNMENT-WIDE  
SCHEDULE OF NET ASSETS  
PRIMARY GOVERNMENT  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

|  | 2010-11              | 2009-10              | 2008-09              | 2007-08              |
|--|----------------------|----------------------|----------------------|----------------------|
| <b>ASSETS:</b>                                     |                      |                      |                      |                      |
| <b>Current Assets:</b>                             |                      |                      |                      |                      |
| Cash and Pooled Cash                               | \$ 1,548,435         | \$ 1,962,934         | \$ 2,217,711         | \$ 2,632,601         |
| Investments  | 45,548               | 15,224               | 1,498                | 565                  |
| Taxes Receivable, net                              | 830,730              | 857,246              | 920,086              | 946,077              |
| Other Receivables, net                             | 147,768              | 158,060              | 182,540              | 188,347              |
| Due From Other Governments                         | 486,655              | 516,248              | 475,997              | 355,519              |
| Internal Balances                                  | 18,620               | 14,153               | 14,617               | 14,545               |
| Due From Component Units                           | 62                   | 84                   | 66                   | 63                   |
| Inventories  | 19,837               | 16,468               | 16,183               | 16,703               |
| Prepays, Advances, and Deferred Charges            | 56,543               | 38,591               | 33,244               | 23,790               |
| <b>Total Current Assets</b>                        | <b>3,154,198</b>     | <b>3,579,008</b>     | <b>3,861,942</b>     | <b>4,178,210</b>     |
| <b>Noncurrent Assets:</b>                          |                      |                      |                      |                      |
| <b>Restricted Assets:</b>                          |                      |                      |                      |                      |
| Restricted Cash and Pooled Cash                    | 1,635,476            | 1,572,925            | 1,813,365            | 2,061,543            |
| Restricted Investments                             | 1,097,797            | 687,314              | 694,311              | 620,325              |
| Restricted Receivables                             | 173,347              | 195,753              | 184,120              | 187,018              |
| Investments  | 52,343               | 529,059              | 98,815               | 96,743               |
| Other Long-Term Assets                             | 761,498              | 644,867              | 600,020              | 442,911              |
| Depreciable Capital Assets and Infrastructure, net | 9,331,295            | 9,689,916            | 2,360,036            | 2,282,645            |
| Land and Nondepreciable Infrastructure             | 1,780,945            | 1,637,224            | 10,480,438           | 10,291,250           |
| <b>Total Noncurrent Assets</b>                     | <b>14,832,701</b>    | <b>14,957,058</b>    | <b>16,231,105</b>    | <b>15,982,435</b>    |
| <b>TOTAL ASSETS</b>                                | <b>17,986,899</b>    | <b>18,536,066</b>    | <b>20,093,047</b>    | <b>20,160,645</b>    |
| <b>DEFERRED OUTFLOW OF RESOURCES:</b>              |                      |                      |                      |                      |
|  | -                    | -                    | -                    | -                    |
| <b>LIABILITIES:</b>                                |                      |                      |                      |                      |
| <b>Current Liabilities:</b>                        |                      |                      |                      |                      |
| Tax Refunds Payable                                | 625,145              | 664,781              | 633,722              | 561,117              |
| Accounts Payable and Accrued Liabilities           | 785,496              | 847,550              | 779,008              | 837,311              |
| TABOR Refund Liability (Note 8B)                   | 706                  | 706                  | 706                  | 706                  |
| Due To Other Governments                           | 216,956              | 181,684              | 223,415              | 183,696              |
| Due To Component Units                             | -                    | -                    | -                    | -                    |
| Deferred Revenue                                   | 111,506              | 128,404              | 150,632              | 97,174               |
| Accrued Compensated Absences                       | 9,741                | 10,287               | 8,930                | 9,776                |
| Claims and Judgments Payable                       | 44,641               | 44,181               | 36,936               | 37,775               |
| Leases Payable                                     | 12,872               | 11,384               | 8,227                | 6,002                |
| Notes, Bonds, and COPs Payable                     | 145,165              | 642,445              | 637,066              | 574,150              |
| Other Current Liabilities                          | 13,748               | 20,432               | 9,818                | 11,794               |
| <b>Total Current Liabilities</b>                   | <b>1,965,976</b>     | <b>2,551,854</b>     | <b>2,488,460</b>     | <b>2,319,501</b>     |
| <b>Noncurrent Liabilities:</b>                     |                      |                      |                      |                      |
| Deposits Held In Custody For Others                | 14                   | 13                   | 16                   | 16                   |
| Accrued Compensated Absences                       | 137,139              | 138,224              | 140,675              | 128,760              |
| Claims and Judgments Payable                       | 340,003              | 347,394              | 358,371              | 335,636              |
| Capital Lease Payable                              | 94,716               | 85,746               | 83,586               | 54,029               |
| Capital Lease Payable To Component Units           | -                    | -                    | -                    | -                    |
| Derivative Instrument Liability                    | -                    | -                    | -                    | -                    |
| Notes, Bonds, and COPs Payable                     | 1,621,749            | 1,554,964            | 1,146,960            | 1,274,720            |
| Due to Component Units                             | -                    | -                    | -                    | -                    |
| Other Postemployment Benefits                      | -                    | -                    | -                    | -                    |
| Other Long-Term Liabilities                        | 434,194              | 402,599              | 397,774              | 217,793              |
| <b>Total Noncurrent Liabilities</b>                | <b>2,627,815</b>     | <b>2,528,940</b>     | <b>2,127,382</b>     | <b>2,010,954</b>     |
| <b>TOTAL LIABILITIES</b>                           | <b>4,593,791</b>     | <b>5,080,794</b>     | <b>4,615,842</b>     | <b>4,330,455</b>     |
| <b>DEFERRED INFLOW OF RESOURCES:</b>               |                      |                      |                      |                      |
|  | -                    | -                    | -                    | -                    |
| <b>NET ASSETS:</b>                                 |                      |                      |                      |                      |
| Invested in Capital Assets, Net of Related Debt    | 9,836,378            | 10,118,621           | 11,631,061           | 11,348,995           |
| <b>Restricted for:</b>                             |                      |                      |                      |                      |
| Construction and Highway Maintenance               | 1,160,789            | 1,198,849            | 1,220,524            | 1,350,485            |
| Education  | 485,171              | 194,586              | 338,365              | 353,149              |
| Unemployment Insurance                             | -                    | -                    | -                    | -                    |
| Debt Service                                       | 10,127               | 4,093                | 558                  | 558                  |
| Emergencies  | 85,400               | 94,000               | 93,550               | 93,000               |
| <b>Permanent Funds and Endowments:</b>             |                      |                      |                      |                      |
| Expendable   | 8,017                | 11,130               | 8,588                | 2,333                |
| Nonexpendable                                      | 641,802              | 643,148              | 623,619              | 587,733              |
| Other Purposes                                     | 315,082              | 138,826              | 197,918              | 231,532              |
| Unrestricted                                       | 850,342              | 1,052,019            | 1,363,022            | 1,862,405            |
| <b>TOTAL NET ASSETS</b>                            | <b>\$ 13,393,108</b> | <b>\$ 13,455,272</b> | <b>\$ 15,477,205</b> | <b>\$ 15,830,190</b> |



**GOVERNMENTAL ACTIVITIES**

| 2006-07       | 2005-06       | 2004-05       | 2003-04       | 2002-03       | 2001-02       |
|---------------|---------------|---------------|---------------|---------------|---------------|
| \$ 2,455,425  | \$ 2,334,948  | \$ 1,944,751  | \$ 1,387,469  | \$ 712,256    | \$ 571,293    |
| 998           | 12,637        | 10,440        | 10,209        | -             | -             |
| 956,149       | 845,241       | 731,647       | 738,769       | 758,887       | 809,839       |
| 153,218       | 153,916       | 146,906       | 143,717       | 104,475       | 125,181       |
| 280,637       | 264,688       | 307,704       | 282,252       | 515,860       | 378,906       |
| 13,756        | 26,313        | 18,122        | 22,070        | (98,203)      | 20,287        |
| 65            | 56            | 110           | -             | -             | -             |
| 14,053        | 14,906        | 18,266        | 16,696        | 17,580        | 16,895        |
| 28,527        | 28,735        | 23,700        | 29,628        | 27,413        | 99,893        |
| 3,902,828     | 3,681,440     | 3,201,646     | 2,630,810     | 2,038,268     | 2,022,294     |
| 1,689,703     | 1,349,184     | 1,199,258     | 1,360,083     | 1,236,865     | 1,306,432     |
| 552,211       | 491,780       | 465,819       | 408,790       | 571,970       | -             |
| 279,140       | 335,774       | 311,462       | 347,245       | -             | -             |
| 80,695        | 48,173        | 24,162        | 4,055         | 152,495       | 1,142,818     |
| 425,886       | 395,612       | 356,325       | 325,376       | 332,964       | 244,499       |
| 1,288,308     | 1,322,945     | 1,348,957     | 1,208,235     | 1,191,785     | 1,138,996     |
| 11,799,975    | 11,649,792    | 11,613,109    | 11,583,157    | 11,032,850    | 10,827,222    |
| 16,115,918    | 15,593,260    | 15,319,092    | 15,236,941    | 14,518,929    | 14,659,967    |
| 20,018,746    | 19,274,700    | 18,520,738    | 17,867,751    | 16,557,197    | 16,682,261    |
| -             | -             | -             | -             | -             | -             |
| 486,576       | 457,124       | 476,445       | 425,610       | 431,132       | 384,040       |
| 694,602       | 633,685       | 679,425       | 687,136       | 684,956       | 569,102       |
| 727           | 2,917         | 41,064        | -             | -             | 48,920        |
| 176,864       | 247,548       | 192,611       | 172,239       | 151,989       | 172,691       |
| -             | -             | -             | -             | -             | -             |
| 65,389        | 66,290        | 73,609        | 84,431        | 114,149       | 84,906        |
| 9,533         | 9,437         | 7,900         | 7,992         | 7,394         | 6,123         |
| 40,948        | 49,415        | 38,738        | 12,084        | 14,743        | 35,576        |
| 2,807         | 1,461         | 3,403         | 2,821         | 3,492         | 1,298         |
| 457,250       | 526,235       | 628,395       | 419,778       | 21,125        | 19,530        |
| 9,615         | 10,318        | 25,092        | 37,152        | 33,987        | 37,050        |
| 1,944,311     | 2,004,430     | 2,166,682     | 1,849,243     | 1,462,967     | 1,359,236     |
| 17            | 17            | 16            | 10            | 8             | 12            |
| 116,262       | 112,860       | 111,418       | 112,104       | 113,548       | 112,027       |
| 295,874       | 343,452       | 430,978       | 29,200        | 29,200        | -             |
| 27,649        | 16,021        | 18,905        | 13,219        | 5,054         | 2,175         |
| -             | -             | -             | -             | -             | -             |
| -             | -             | -             | -             | -             | -             |
| 1,390,671     | 1,503,686     | 1,467,924     | 1,540,053     | 1,309,153     | 1,328,072     |
| -             | -             | -             | -             | -             | -             |
| 206,972       | 210,369       | 198,520       | 516,756       | 501,390       | 263,034       |
| 2,037,445     | 2,186,405     | 2,227,761     | 2,211,342     | 1,958,353     | 1,705,320     |
| 3,981,756     | 4,190,835     | 4,394,443     | 4,060,585     | 3,421,320     | 3,064,556     |
| -             | -             | -             | -             | -             | -             |
| 11,804,908    | 11,662,529    | 11,771,877    | 11,747,276    | 11,444,442    | 10,633,044    |
| 1,196,903     | 824,698       | 679,440       | 559,450       | 509,354       | 1,376,522     |
| 225,818       | 153,043       | 123,867       | 147,286       | 218,545       | 303,827       |
| -             | -             | -             | -             | -             | -             |
| 558           | 580           | 3,298         | 7,965         | 5,241         | 6,495         |
| 85,760        | 79,800        | 71,000        | 172,202       | 150,762       | 81,917        |
| 1,782         | 1,642         | 1,953         | 1,297         | 986           | 810           |
| 515,997       | 460,473       | 433,538       | 392,542       | 378,369       | 356,004       |
| 299,777       | 198,996       | 141,933       | 134,658       | 95,135        | 16,006        |
| 1,905,487     | 1,702,104     | 899,389       | 644,490       | 333,043       | 843,080       |
| \$ 16,036,990 | \$ 15,083,865 | \$ 14,126,295 | \$ 13,807,166 | \$ 13,135,877 | \$ 13,617,705 |

**GOVERNMENT-WIDE  
SCHEDULE OF NET ASSETS  
PRIMARY GOVERNMENT  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

|  | 2010-11             | 2009-10             | 2008-09             | 2007-08             |
|--|---------------------|---------------------|---------------------|---------------------|
| <b>ASSETS:</b>                                     |                     |                     |                     |                     |
| Current Assets:                                    |                     |                     |                     |                     |
| Cash and Pooled Cash                               | \$ 1,306,800        | \$ 1,176,181        | \$ 1,220,190        | \$ 1,555,782        |
| Investments  | 273,605             | 253,270             | 386,948             | 272,804             |
| Taxes Receivable, net                              | 186,161             | 90,005              | 73,326              | 82,431              |
| Other Receivables, net                             | 302,042             | 282,053             | 245,768             | 239,790             |
| Due From Other Governments                         | 177,822             | 158,787             | 142,961             | 125,894             |
| Internal Balances                                  | (18,620)            | (14,153)            | (14,617)            | (14,545)            |
| Due From Component Units                           | 19,736              | 14,474              | 12,630              | 16,348              |
| Inventories  | 43,600              | 42,779              | 42,467              | 42,271              |
| Prepays, Advances, and Deferred Charges            | 18,018              | 19,244              | 20,091              | 17,055              |
| <b>Total Current Assets</b>                        | <b>2,309,164</b>    | <b>2,022,640</b>    | <b>2,129,764</b>    | <b>2,337,830</b>    |
| Noncurrent Assets:                                 |                     |                     |                     |                     |
| Restricted Assets:                                 |                     |                     |                     |                     |
| Restricted Cash and Pooled Cash                    | 409,652             | 353,164             | 368,308             | 446,681             |
| Restricted Investments                             | 98,146              | 239,719             | 201,025             | 259,115             |
| Restricted Receivables                             | 24,980              | 239,041             | 1,916,974           | 1,716,722           |
| Investments  | 1,623,569           | 1,206,671           | 1,154,901           | 1,008,382           |
| Other Long-Term Assets                             | 122,939             | 119,387             | 123,599             | 119,650             |
| Depreciable Capital Assets and Infrastructure, net | 4,662,346           | 3,912,771           | 3,594,383           | 3,464,979           |
| Land and Nondepreciable Infrastructure             | 938,544             | 1,207,048           | 928,243             | 576,755             |
| <b>Total Noncurrent Assets</b>                     | <b>7,880,176</b>    | <b>7,277,801</b>    | <b>8,287,433</b>    | <b>7,592,284</b>    |
| <b>TOTAL ASSETS</b>                                | <b>10,189,340</b>   | <b>9,300,441</b>    | <b>10,417,197</b>   | <b>9,930,114</b>    |
| <b>DEFERRED OUTFLOW OF RESOURCES:</b>              |                     |                     |                     |                     |
|  | -                   | 7,778               | -                   | -                   |
| <b>LIABILITIES:</b>                                |                     |                     |                     |                     |
| Current Liabilities:                               |                     |                     |                     |                     |
| Tax Refunds Payable                                | -                   | -                   | -                   | -                   |
| Accounts Payable and Accrued Liabilities           | 556,294             | 596,926             | 506,318             | 467,741             |
| TABOR Refund Liability (Note 8B)                   | -                   | -                   | -                   | -                   |
| Due To Other Governments                           | 331,246             | 406,275             | 182,922             | 26,885              |
| Due To Component Units                             | 524                 | 466                 | 930                 | 1,112               |
| Deferred Revenue                                   | 234,662             | 232,371             | 207,551             | 190,528             |
| Accrued Compensated Absences                       | 14,579              | 13,035              | 12,753              | 12,745              |
| Claims and Judgments Payable                       | -                   | -                   | -                   | 7,398               |
| Leases Payable                                     | 4,950               | 6,672               | 6,282               | 5,976               |
| Notes, Bonds, and COPs Payable                     | 79,106              | 100,329             | 85,456              | 75,567              |
| Other Current Liabilities                          | 141,484             | 126,232             | 241,129             | 208,542             |
| <b>Total Current Liabilities</b>                   | <b>1,362,845</b>    | <b>1,482,306</b>    | <b>1,243,341</b>    | <b>996,494</b>      |
| Noncurrent Liabilities:                            |                     |                     |                     |                     |
| Deposits Held In Custody For Others                | -                   | -                   | -                   | -                   |
| Accrued Compensated Absences                       | 205,621             | 196,295             | 185,420             | 166,402             |
| Claims and Judgments Payable                       | 35,373              | 29,461              | 27,541              | 28,482              |
| Capital Lease Payable                              | 43,466              | 76,702              | 83,206              | 83,113              |
| Capital Lease Payable To Component Units           | -                   | -                   | 4,285               | 4,285               |
| Derivative Instrument Liability                    | 6,182               | 7,778               | -                   | -                   |
| Notes, Bonds, and COPs Payable                     | 3,117,100           | 2,682,987           | 3,917,559           | 3,466,484           |
| Due to Component Units                             | 2,374               | 2,501               | 723                 | 1,233               |
| Other Postemployment Benefits                      | 105,876             | 47,259              | 31,689              | 15,775              |
| Other Long-Term Liabilities                        | 43,814              | 36,450              | 43,321              | 40,756              |
| <b>Total Noncurrent Liabilities</b>                | <b>3,559,806</b>    | <b>3,079,433</b>    | <b>4,293,744</b>    | <b>3,806,530</b>    |
| <b>TOTAL LIABILITIES</b>                           | <b>4,922,651</b>    | <b>4,561,739</b>    | <b>5,537,085</b>    | <b>4,803,024</b>    |
| <b>DEFERRED INFLOW OF RESOURCES:</b>               |                     |                     |                     |                     |
|  | 2,006               | -                   | -                   | -                   |
| <b>NET ASSETS:</b>                                 |                     |                     |                     |                     |
| Invested in Capital Assets, Net of Related Debt    | 2,990,094           | 2,854,803           | 2,665,270           | 2,411,662           |
| Restricted for:                                    |                     |                     |                     |                     |
| Construction and Highway Maintenance               | -                   | -                   | -                   | -                   |
| Education  | -                   | -                   | -                   | -                   |
| Unemployment Insurance                             | -                   | -                   | 392,984             | 765,533             |
| Debt Service                                       | 6,753               | 6,100               | 111,778             | 180,409             |
| Emergencies  | 12,368              | 16,257              | 21,282              | 33,716              |
| Permanent Funds and Endowments:                    |                     |                     |                     |                     |
| Expendable   | 5,936               | 6,825               | 6,935               | 9,592               |
| Nonexpendable                                      | 73,956              | 71,738              | 70,420              | 74,479              |
| Other Purposes                                     | 657,292             | 630,890             | 582,006             | 491,492             |
| Unrestricted                                       | 1,518,284           | 1,159,867           | 1,029,437           | 1,160,207           |
| <b>TOTAL NET ASSETS</b>                            | <b>\$ 5,264,683</b> | <b>\$ 4,746,480</b> | <b>\$ 4,880,112</b> | <b>\$ 5,127,090</b> |

**BUSINESS-TYPE ACTIVITIES**

| 2006-07             | 2005-06             | 2004-05             | 2003-04             | 2002-03             | 2001-02             |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 1,430,836        | \$ 1,188,953        | \$ 872,618          | \$ 678,233          | \$ 754,879          | \$ 1,193,338        |
| 326,087             | 328,466             | 670,346             | 182,572             | -                   | -                   |
| 81,745              | 105,973             | 103,598             | 92,485              | 46,597              | 36,237              |
| 219,488             | 209,497             | 206,946             | 180,707             | 219,048             | 884,919             |
| 126,391             | 99,040              | 95,170              | 86,355              | 98,017              | 74,061              |
| (13,756)            | (26,313)            | (18,122)            | (22,070)            | 98,203              | (20,287)            |
| 15,334              | 11,141              | 9,294               | 5,406               | -                   | -                   |
| 38,000              | 35,747              | 34,797              | 33,065              | 33,861              | 35,315              |
| 15,751              | 13,148              | 13,723              | 18,396              | 19,138              | 22,441              |
| <b>2,239,876</b>    | <b>1,965,652</b>    | <b>1,988,370</b>    | <b>1,255,149</b>    | <b>1,269,743</b>    | <b>2,226,024</b>    |
| 149,811             | 187,895             | 160,283             | 121,764             | 114,642             | 40,136              |
| 555,310             | 424,826             | 453,876             | 243,390             | 114,292             | 140,074             |
| 1,408,588           | 1,173,312           | 1,015,134           | 889,108             | -                   | -                   |
| 972,922             | 887,302             | 225,329             | 577,619             | 888,232             | 663,412             |
| 112,693             | 108,606             | 119,359             | 99,358              | 832,622             | 74,237              |
| 2,851,692           | 2,718,135           | 2,719,778           | 2,623,814           | 2,259,846           | 1,899,066           |
| 835,182             | 561,525             | 403,037             | 371,552             | 520,085             | 651,292             |
| <b>6,886,198</b>    | <b>6,061,601</b>    | <b>5,096,796</b>    | <b>4,926,605</b>    | <b>4,729,719</b>    | <b>3,468,217</b>    |
| <b>9,126,074</b>    | <b>8,027,253</b>    | <b>7,085,166</b>    | <b>6,181,754</b>    | <b>5,999,462</b>    | <b>5,694,241</b>    |
| -                   | -                   | -                   | -                   | -                   | -                   |
| -                   | -                   | -                   | -                   | -                   | -                   |
| 413,788             | 380,194             | 350,347             | 334,136             | 332,990             | 188,839             |
| -                   | -                   | -                   | -                   | -                   | -                   |
| 38,501              | 30,749              | 38,472              | 37,120              | 26,570              | 45,626              |
| 273                 | 1,067               | 1,607               | 703                 | -                   | -                   |
| 183,805             | 171,411             | 145,432             | 131,496             | 138,313             | 138,382             |
| 12,578              | 14,284              | 14,103              | 9,719               | 10,582              | 8,526               |
| 11,717              | 7,430               | 8,233               | -                   | -                   | -                   |
| 4,950               | 4,851               | 6,039               | 5,537               | 5,283               | 3,840               |
| 62,998              | 83,271              | 85,672              | 80,127              | 60,105              | 97,064              |
| 126,574             | 94,214              | 107,228             | 107,611             | 92,272              | 89,335              |
| <b>855,184</b>      | <b>787,471</b>      | <b>757,133</b>      | <b>706,449</b>      | <b>666,115</b>      | <b>571,612</b>      |
| -                   | -                   | -                   | -                   | -                   | -                   |
| 153,320             | 136,837             | 131,883             | 128,635             | 124,853             | 121,127             |
| 28,220              | 48,396              | 20,019              | -                   | -                   | -                   |
| 63,671              | 55,873              | 84,101              | 80,994              | 80,636              | 43,382              |
| -                   | -                   | -                   | -                   | -                   | -                   |
| 3,100,764           | 2,488,738           | 2,062,837           | 1,578,762           | 1,546,903           | 1,199,426           |
| -                   | -                   | -                   | -                   | -                   | -                   |
| -                   | -                   | -                   | -                   | -                   | -                   |
| 54,097              | 53,138              | 52,022              | 70,174              | 76,251              | 144,027             |
| <b>3,400,072</b>    | <b>2,782,982</b>    | <b>2,350,862</b>    | <b>1,858,565</b>    | <b>1,828,643</b>    | <b>1,507,962</b>    |
| <b>4,255,256</b>    | <b>3,570,453</b>    | <b>3,107,995</b>    | <b>2,565,014</b>    | <b>2,494,758</b>    | <b>2,079,574</b>    |
| -                   | -                   | -                   | -                   | -                   | -                   |
| 2,256,929           | 2,256,602           | 2,238,068           | 2,195,837           | 2,142,940           | 2,045,202           |
| -                   | -                   | -                   | -                   | -                   | -                   |
| -                   | -                   | -                   | -                   | -                   | -                   |
| 675,574             | 548,780             | 321,725             | 200,311             | 322,423             | 653,690             |
| 125,656             | 105,348             | 122,290             | 103,602             | 2,048               | 2,295               |
| 37,472              | 29,883              | 27,247              | 39,277              | 32,881              | 38,813              |
| 5,313               | 4,757               | 16,483              | 17,449              | 17,746              | 47,015              |
| 97,821              | 82,698              | 76,460              | 49,659              | 46,851              | 49,200              |
| 411,112             | 364,310             | 303,714             | 297,765             | 189,466             | 198,696             |
| 1,260,941           | 1,064,422           | 871,184             | 712,840             | 750,349             | 579,756             |
| <b>\$ 4,870,818</b> | <b>\$ 4,456,800</b> | <b>\$ 3,977,171</b> | <b>\$ 3,616,740</b> | <b>\$ 3,504,704</b> | <b>\$ 3,614,667</b> |

**GOVERNMENT-WIDE  
SCHEDULE OF NET ASSETS  
PRIMARY GOVERNMENT  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

|  | 2010-11              | 2009-10              | 2008-09              | 2007-08              |
|--|----------------------|----------------------|----------------------|----------------------|
| <b>ASSETS:</b>                                     |                      |                      |                      |                      |
| <b>Current Assets:</b>                             |                      |                      |                      |                      |
| Cash and Pooled Cash                               | \$ 2,855,235         | \$ 3,139,115         | \$ 3,437,901         | \$ 4,188,383         |
| Investments  | 319,153              | 268,494              | 388,446              | 273,369              |
| Taxes Receivable, net                              | 1,016,891            | 947,251              | 993,412              | 1,028,508            |
| Other Receivables, net                             | 449,810              | 440,113              | 428,308              | 428,137              |
| Due From Other Governments                         | 664,477              | 675,035              | 618,958              | 481,413              |
| Internal Balances                                  | -                    | -                    | -                    | -                    |
| Due From Component Units                           | 19,798               | 14,558               | 12,696               | 16,411               |
| Inventories  | 63,437               | 59,247               | 58,650               | 58,974               |
| Prepays, Advances, and Deferred Charges            | 74,561               | 57,835               | 53,335               | 40,845               |
| <b>Total Current Assets</b>                        | <b>5,463,362</b>     | <b>5,601,648</b>     | <b>5,991,706</b>     | <b>6,516,040</b>     |
| <b>Noncurrent Assets:</b>                          |                      |                      |                      |                      |
| <b>Restricted Assets:</b>                          |                      |                      |                      |                      |
| Restricted Cash and Pooled Cash                    | 2,045,128            | 1,926,089            | 2,181,673            | 2,508,224            |
| Restricted Investments                             | 1,195,943            | 927,033              | 895,336              | 879,440              |
| Restricted Receivables                             | 198,327              | 434,794              | 2,101,094            | 1,903,740            |
| Investments  | 1,675,912            | 1,735,730            | 1,253,716            | 1,105,125            |
| Other Long-Term Assets                             | 884,437              | 764,254              | 723,619              | 562,561              |
| Depreciable Capital Assets and Infrastructure, net | 13,993,641           | 13,602,687           | 5,954,419            | 5,747,624            |
| Land and Nondepreciable Infrastructure             | 2,719,489            | 2,844,272            | 11,408,681           | 10,868,005           |
| <b>Total Noncurrent Assets</b>                     | <b>22,712,877</b>    | <b>22,234,859</b>    | <b>24,518,538</b>    | <b>23,574,719</b>    |
| <b>TOTAL ASSETS</b>                                | <b>28,176,239</b>    | <b>27,836,507</b>    | <b>30,510,244</b>    | <b>30,090,759</b>    |
| <b>DEFERRED OUTFLOW OF RESOURCES:</b>              | <b>-</b>             | <b>7,778</b>         | <b>-</b>             | <b>-</b>             |
| <b>LIABILITIES:</b>                                |                      |                      |                      |                      |
| <b>Current Liabilities:</b>                        |                      |                      |                      |                      |
| Tax Refunds Payable                                | 625,145              | 664,781              | 633,722              | 561,117              |
| Accounts Payable and Accrued Liabilities           | 1,341,790            | 1,444,476            | 1,285,326            | 1,305,052            |
| TABOR Refund Liability (Note 8B)                   | 706                  | 706                  | 706                  | 706                  |
| Due To Other Governments                           | 548,202              | 587,959              | 406,337              | 210,581              |
| Due To Component Units                             | 524                  | 466                  | 930                  | 1,112                |
| Deferred Revenue                                   | 346,168              | 360,775              | 358,183              | 287,702              |
| Accrued Compensated Absences                       | 24,320               | 23,322               | 21,683               | 22,521               |
| Claims and Judgments Payable                       | 44,641               | 44,181               | 36,936               | 45,173               |
| Leases Payable                                     | 17,822               | 18,056               | 14,509               | 11,978               |
| Notes, Bonds, and COPs Payable                     | 224,271              | 742,774              | 722,522              | 649,717              |
| Other Current Liabilities                          | 155,232              | 146,664              | 250,947              | 220,336              |
| <b>Total Current Liabilities</b>                   | <b>3,328,821</b>     | <b>4,034,160</b>     | <b>3,731,801</b>     | <b>3,315,995</b>     |
| <b>Noncurrent Liabilities:</b>                     |                      |                      |                      |                      |
| Deposits Held In Custody For Others                | 14                   | 13                   | 16                   | 16                   |
| Accrued Compensated Absences                       | 342,760              | 334,519              | 326,095              | 295,162              |
| Claims and Judgments Payable                       | 375,376              | 376,855              | 385,912              | 364,118              |
| Capital Lease Payable                              | 138,182              | 162,448              | 166,792              | 137,142              |
| Capital Lease Payable To Component Units           | -                    | -                    | 4,285                | 4,285                |
| Derivative Instrument Liability                    | 6,182                | 7,778                | -                    | -                    |
| Notes, Bonds, and COPs Payable                     | 4,738,849            | 4,237,951            | 5,064,519            | 4,741,204            |
| Due to Component Units                             | 2,374                | 2,501                | 723                  | 1,233                |
| Other Postemployment Benefits                      | 105,876              | 47,259               | 31,689               | 15,775               |
| Other Long-Term Liabilities                        | 478,008              | 439,049              | 441,095              | 258,549              |
| <b>Total Noncurrent Liabilities</b>                | <b>6,187,621</b>     | <b>5,608,373</b>     | <b>6,421,126</b>     | <b>5,817,484</b>     |
| <b>TOTAL LIABILITIES</b>                           | <b>9,516,442</b>     | <b>9,642,533</b>     | <b>10,152,927</b>    | <b>9,133,479</b>     |
| <b>DEFERRED INFLOW OF RESOURCES:</b>               | <b>2,006</b>         | <b>-</b>             | <b>-</b>             | <b>-</b>             |
| <b>NET ASSETS:</b>                                 |                      |                      |                      |                      |
| Invested in Capital Assets, Net of Related Debt    | 12,826,472           | 12,973,424           | 14,296,331           | 13,760,657           |
| <b>Restricted for:</b>                             |                      |                      |                      |                      |
| Construction and Highway Maintenance               | 1,160,789            | 1,198,849            | 1,220,524            | 1,350,485            |
| Education  | 485,171              | 194,586              | 338,365              | 353,149              |
| Unemployment Insurance                             | -                    | -                    | 392,984              | 765,533              |
| Debt Service                                       | 16,880               | 10,193               | 112,336              | 180,967              |
| Emergencies  | 97,768               | 110,257              | 114,832              | 126,716              |
| <b>Permanent Funds and Endowments:</b>             |                      |                      |                      |                      |
| Expendable   | 13,953               | 17,955               | 15,523               | 11,925               |
| Nonexpendable                                      | 715,758              | 714,886              | 694,039              | 662,212              |
| Other Purposes                                     | 972,374              | 769,716              | 779,924              | 723,024              |
| Unrestricted                                       | 2,368,626            | 2,211,886            | 2,392,459            | 3,022,612            |
| <b>TOTAL NET ASSETS</b>                            | <b>\$ 18,657,791</b> | <b>\$ 18,201,752</b> | <b>\$ 20,357,317</b> | <b>\$ 20,957,280</b> |

TOTAL PRIMARY GOVERNMENT

| 2006-07       | 2005-06       | 2004-05       | 2003-04       | 2002-03       | 2001-02       |
|---------------|---------------|---------------|---------------|---------------|---------------|
| \$ 3,886,261  | \$ 3,523,901  | \$ 2,817,369  | \$ 2,065,702  | \$ 1,467,135  | \$ 1,764,631  |
| 327,085       | 341,103       | 680,786       | 192,781       | -             | -             |
| 1,037,894     | 951,214       | 835,245       | 831,254       | 805,484       | 846,076       |
| 372,706       | 363,413       | 353,852       | 324,424       | 323,523       | 1,010,100     |
| 407,028       | 363,728       | 402,874       | 368,607       | 613,877       | 452,967       |
| -             | -             | -             | -             | -             | -             |
| 15,399        | 11,197        | 9,404         | 5,406         | -             | -             |
| 52,053        | 50,653        | 53,063        | 49,761        | 51,441        | 52,210        |
| 44,278        | 41,883        | 37,423        | 48,024        | 46,551        | 122,334       |
| 6,142,704     | 5,647,092     | 5,190,016     | 3,885,959     | 3,308,011     | 4,248,318     |
| 1,839,514     | 1,537,079     | 1,359,541     | 1,481,847     | 1,351,507     | 1,346,568     |
| 1,107,521     | 916,606       | 919,695       | 652,180       | 686,262       | 140,074       |
| 1,687,728     | 1,509,086     | 1,326,596     | 1,236,353     | -             | -             |
| 1,053,617     | 935,475       | 249,491       | 581,674       | 1,040,727     | 1,806,230     |
| 538,579       | 504,218       | 475,684       | 424,734       | 1,165,586     | 318,736       |
| 4,140,000     | 4,041,080     | 4,068,735     | 3,832,049     | 3,451,631     | 3,038,062     |
| 12,635,157    | 12,211,317    | 12,016,146    | 11,954,709    | 11,552,935    | 11,478,514    |
| 23,002,116    | 21,654,861    | 20,415,888    | 20,163,546    | 19,248,648    | 18,128,184    |
| 29,144,820    | 27,301,953    | 25,605,904    | 24,049,505    | 22,556,659    | 22,376,502    |
| -             | -             | -             | -             | -             | -             |
| 486,576       | 457,124       | 476,445       | 425,610       | 431,132       | 384,040       |
| 1,108,390     | 1,013,879     | 1,029,772     | 1,021,272     | 1,017,946     | 757,941       |
| 727           | 2,917         | 41,064        | -             | -             | 48,920        |
| 215,365       | 278,297       | 231,083       | 209,359       | 178,559       | 218,317       |
| 273           | 1,067         | 1,607         | 703           | -             | -             |
| 249,194       | 237,701       | 219,041       | 215,927       | 252,462       | 223,288       |
| 22,111        | 23,721        | 22,003        | 17,711        | 17,976        | 14,649        |
| 52,665        | 56,845        | 46,971        | 12,084        | 14,743        | 35,576        |
| 7,757         | 6,312         | 9,442         | 8,358         | 8,775         | 5,138         |
| 520,248       | 609,506       | 714,067       | 499,905       | 81,230        | 116,594       |
| 136,189       | 104,532       | 132,320       | 144,763       | 126,259       | 126,385       |
| 2,799,495     | 2,791,901     | 2,923,815     | 2,555,692     | 2,129,082     | 1,930,848     |
| 17            | 17            | 16            | 10            | 8             | 12            |
| 269,582       | 249,697       | 243,301       | 240,739       | 238,401       | 233,154       |
| 324,094       | 391,848       | 450,997       | 29,200        | 29,200        | -             |
| 91,320        | 71,894        | 103,006       | 94,213        | 85,690        | 45,557        |
| -             | -             | -             | -             | -             | -             |
| -             | -             | -             | -             | -             | -             |
| 4,491,435     | 3,992,424     | 3,530,761     | 3,118,815     | 2,856,056     | 2,527,498     |
| -             | -             | -             | -             | -             | -             |
| -             | -             | -             | -             | -             | -             |
| 261,069       | 263,507       | 250,542       | 586,930       | 577,641       | 407,061       |
| 5,437,517     | 4,969,387     | 4,578,623     | 4,069,907     | 3,786,996     | 3,213,282     |
| 8,237,012     | 7,761,288     | 7,502,438     | 6,625,599     | 5,916,078     | 5,144,130     |
| -             | -             | -             | -             | -             | -             |
| 14,061,837    | 13,919,131    | 14,009,945    | 13,943,113    | 13,587,382    | 12,678,246    |
| 1,196,903     | 824,698       | 679,440       | 559,450       | 509,354       | 1,376,522     |
| 225,818       | 153,043       | 123,867       | 147,286       | 218,545       | 303,827       |
| 675,574       | 548,780       | 321,725       | 200,311       | 322,423       | 653,690       |
| 126,214       | 105,928       | 125,588       | 111,567       | 7,289         | 8,790         |
| 123,232       | 109,683       | 98,247        | 211,479       | 183,643       | 120,730       |
| 7,095         | 6,399         | 18,436        | 18,746        | 18,732        | 47,825        |
| 613,818       | 543,171       | 509,998       | 442,201       | 425,220       | 405,204       |
| 710,889       | 563,306       | 445,647       | 432,423       | 284,601       | 214,702       |
| 3,166,428     | 2,766,526     | 1,770,573     | 1,357,330     | 1,083,392     | 1,422,836     |
| \$ 20,907,808 | \$ 19,540,665 | \$ 18,103,466 | \$ 17,423,906 | \$ 16,640,581 | \$ 17,232,372 |

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

(DOLLARS IN THOUSANDS)

| Functions/Programs   | 2010-11              | 2009-10              | 2008-09              | RESTATED<br>2007-08  |
|--|----------------------|----------------------|----------------------|----------------------|
| <b>PROGRAM REVENUES:</b>   |                      |                      |                      |                      |
| Charges for Services:  |                      |                      |                      |                      |
| Licenses and Permits   | \$ 454,633           | \$ 419,866           | \$ 386,311           | \$ 374,521           |
| Service Fees   | 735,820              | 589,795              | 184,327              | 132,822              |
| Education - Tuition, Fees, and Sales                               | -                    | -                    | 53                   | -                    |
| Fines and Forfeits   | 200,432              | 218,892              | 203,259              | 155,692              |
| Rents and Royalties  | 128,588              | 79,518               | 85,811               | 78,889               |
| Sales of Products  | 4,974                | 3,854                | 5,040                | 4,592                |
| Unemployment Surcharge   | 18,611               | 19,329               | 19,369               | 21,512               |
| Other  | 89,509               | 67,460               | 61,168               | 57,622               |
| Operating Grants and Contributions                                 | 6,218,836            | 5,885,657            | 5,065,429            | 4,222,670            |
| Capital Grants and Contributions                                   | 659,288              | 607,383              | 485,711              | 439,693              |
| <b>TOTAL PROGRAM REVENUES</b>                                      | <b>8,510,691</b>     | <b>7,891,754</b>     | <b>6,496,478</b>     | <b>5,488,013</b>     |
| <b>EXPENSES:</b>   |                      |                      |                      |                      |
| General Government   | 192,579              | 189,865              | 308,410              | 217,939              |
| Business, Community, and Consumer Affairs                          | 667,929              | 662,854              | 705,037              | 667,381              |
| Education  | 5,432,143            | 5,096,032            | 5,208,705            | 5,017,551            |
| Health and Rehabilitation  | 696,539              | 659,187              | 644,699              | 603,296              |
| Justice  | 1,538,363            | 1,527,857            | 1,543,310            | 1,436,009            |
| Natural Resources  | 149,878              | 144,445              | 137,159              | 131,658              |
| Social Assistance  | 6,397,426            | 6,091,958            | 5,220,295            | 4,660,287            |
| Transportation   | 1,974,009            | 2,105,688            | 1,376,215            | 1,459,295            |
| Payments to School Districts                                       | -                    | -                    | -                    | -                    |
| Payments to Other Governments                                      | -                    | -                    | -                    | -                    |
| Interest on Debt   | 32,487               | 33,203               | 20,393               | 37,567               |
| Higher Education   | -                    | -                    | -                    | -                    |
| Unemployment Insurance   | -                    | -                    | -                    | -                    |
| College Invest <sup>3</sup>  | -                    | -                    | -                    | -                    |
| Lottery  | -                    | -                    | -                    | -                    |
| Wildlife   | -                    | -                    | -                    | -                    |
| College Assist   | -                    | -                    | -                    | -                    |
| Other Business-Type Activities                                     | -                    | -                    | -                    | -                    |
| <b>TOTAL EXPENSES</b>  | <b>17,081,353</b>    | <b>16,511,089</b>    | <b>15,164,223</b>    | <b>14,230,983</b>    |
| <b>NET (EXPENSE) REVENUE</b>                                       | <b>(8,570,662)</b>   | <b>(8,619,335)</b>   | <b>(8,667,745)</b>   | <b>(8,742,970)</b>   |
| <b>GENERAL REVENUES AND<br/>OTHER CHANGES IN NET ASSETS:</b>       |                      |                      |                      |                      |
| Sales and Use Taxes  | 2,280,693            | 1,987,576            | 2,093,113            | 2,357,807            |
| Excise Taxes   | 236,945              | 244,344              | 251,209              | 257,908              |
| Individual Income Tax  | 4,151,119            | 3,770,597            | 4,024,105            | 4,591,481            |
| Corporate Income Tax   | 441,778              | 360,852              | 322,683              | 461,390              |
| Other Taxes  | 466,408              | 376,388              | 655,478              | 510,442              |
| Restricted Taxes   | 928,260              | 873,287              | 880,625              | 986,274              |
| Unrestricted Investment Earnings (Losses)                          | 6,523                | 10,215               | 22,591               | 42,478               |
| Other General Revenues   | 91,608               | 112,138              | 119,748              | 113,603              |
| Special and/or Extraordinary Items (See Note 35)                   | -                    | -                    | (5,616)              | (6,843)              |
| (Transfers-Out) / Transfers-In                                     | (110,266)            | (94,993)             | (114,685)            | (77,732)             |
| Internal Capital Contributions                                     | -                    | -                    | -                    | -                    |
| Permanent Fund Additions   | 460                  | 357                  | -                    | -                    |
| <b>TOTAL GENERAL REVENUES AND<br/>OTHER CHANGES IN NET ASSETS:</b> | <b>8,493,528</b>     | <b>7,640,761</b>     | <b>8,249,251</b>     | <b>9,236,808</b>     |
| <b>TOTAL CHANGES IN NET ASSETS</b>                                 | <b>(77,134)</b>      | <b>(978,574)</b>     | <b>(418,494)</b>     | <b>493,838</b>       |
| <b>NET ASSETS - BEGINNING</b>                                      | <b>13,455,272</b>    | <b>15,477,205</b>    | <b>15,830,190</b>    | <b>16,036,990</b>    |
| Prior Period Adjustment  | 14,970               | (594,624)            | (118,647)            | (393,912)            |
| Accounting Changes   | -                    | (448,735)            | 184,156              | (306,726)            |
| <b>NET ASSETS - ENDING</b>   | <b>\$ 13,393,108</b> | <b>\$ 13,455,272</b> | <b>\$ 15,477,205</b> | <b>\$ 15,830,190</b> |

<sup>1</sup> - In Fiscal Year 2005-06, the State began to report Payments to School Districts and Other Governments in the functional area that made the payment.

<sup>2</sup> - In Fiscal Year 2005-06, the State changed the funding method for Higher Education Institutions and amounts previously reported as transfers are now reported as service fees and tuition.

**GOVERNMENTAL ACTIVITIES**

|    | 2006-07     | 2005-06       | 2004-05                | 2003-04       | 2002-03       | 2001-02       |
|----|-------------|---------------|------------------------|---------------|---------------|---------------|
| \$ | 352,819     | \$ 339,779    | \$ 357,241             | \$ 353,628    | \$ 327,134    | \$ 310,343    |
|    | 129,980     | 123,392       | 128,101                | 132,644       | 117,253       | 105,932       |
|    | -           | -             | -                      | -             | -             | -             |
|    | 126,612     | 121,859       | 117,666                | 109,341       | 99,654        | 87,994        |
|    | 68,270      | 68,920        | 61,524                 | 45,340        | 32,314        | 31,673        |
|    | 3,703       | 3,100         | 2,841                  | 3,164         | 2,296         | 3,001         |
|    | 22,346      | 22,399        | 21,524                 | 20,112        | 19,500        | 19,630        |
|    | 64,964      | 79,810        | 54,254                 | 55,216        | 47,264        | 72,996        |
|    | 4,122,360   | 3,909,382     | 3,684,878              | 3,601,808     | 3,552,745     | 3,166,623     |
|    | 414,602     | 447,283       | 409,458                | 487,442       | 410,070       | 352,125       |
|    | 5,305,656   | 5,115,924     | 4,837,487              | 4,808,695     | 4,608,230     | 4,150,317     |
|    | 163,412     | 164,276       | 141,320                | 161,588       | 244,062       | 210,837       |
|    | 565,769     | 449,411       | 367,553                | 343,589       | 327,935       | 253,054       |
|    | 4,771,218   | 4,394,236     | 194,723                | 173,823       | 194,436       | 285,636       |
|    | 560,153     | 524,736       | 475,668                | 477,572       | 475,405       | 471,198       |
|    | 1,313,767   | 1,197,334     | 1,026,282              | 936,374       | 971,227       | 957,320       |
|    | 138,457     | 112,753       | 62,638                 | 81,114        | 103,888       | 103,801       |
|    | 4,496,696   | 4,348,466     | 3,016,668              | 2,954,217     | 2,830,164     | 2,608,748     |
|    | 1,213,138   | 1,205,556     | 919,388                | 746,153       | 890,081       | 750,759       |
|    | -           | -             | 3,283,590              | 3,131,486     | 2,946,679     | 2,689,452     |
|    | -           | -             | <sup>1</sup> 1,848,922 | 1,674,416     | 1,687,006     | 1,596,066     |
|    | 42,269      | 31,969        | 26,925                 | 9,625         | 16,219        | 16,750        |
|    | -           | -             | -                      | -             | -             | -             |
|    | -           | -             | -                      | -             | -             | -             |
|    | -           | -             | -                      | -             | -             | -             |
|    | -           | -             | -                      | -             | -             | -             |
|    | -           | -             | -                      | -             | -             | -             |
|    | -           | -             | -                      | -             | -             | -             |
|    | -           | -             | -                      | -             | -             | -             |
|    | 13,264,879  | 12,428,737    | 11,363,677             | 10,689,957    | 10,687,102    | 9,943,621     |
|    | (7,959,223) | (7,312,813)   | (6,526,190)            | (5,881,262)   | (6,078,872)   | (5,793,304)   |
|    | 2,244,000   | 2,148,981     | 1,980,785              | 1,920,934     | 1,829,380     | 1,881,162     |
|    | 261,711     | 266,747       | 182,726                | 112,741       | 86,048        | 91,761        |
|    | 4,508,845   | 4,044,581     | 3,450,493              | 3,253,027     | 2,996,597     | 3,168,499     |
|    | 470,853     | 422,656       | 291,583                | 220,236       | 205,569       | 172,257       |
|    | 484,408     | 568,184       | 491,214                | 465,826       | 371,089       | 363,190       |
|    | 946,757     | 922,872       | 868,251                | 835,680       | 731,138       | 818,234       |
|    | 43,638      | 35,372        | 29,736                 | 16,534        | 16,577        | 37,236        |
|    | 84,328      | 84,335        | 95,912                 | 99,200        | 146,516       | 122,527       |
|    | (25,915)    | (13,534)      | (1,112)                | -             | -             | (21,000)      |
|    | (98,926)    | (80,894)      | <sup>2</sup> (545,175) | (546,580)     | (634,674)     | (662,141)     |
|    | -           | -             | (431)                  | (20)          | (22,855)      | 25            |
|    | -           | -             | -                      | -             | -             | -             |
|    | 8,919,699   | 8,399,300     | 6,843,982              | 6,377,578     | 5,725,385     | 5,971,750     |
|    | 960,476     | 1,086,487     | 317,792                | 496,316       | (353,487)     | 178,446       |
|    | 15,083,865  | 14,126,295    | 13,807,166             | 13,135,877    | 13,617,705    | 5,457,647     |
|    | (7,351)     | (128,917)     | 1,337                  | 174,973       | (128,341)     | (172,615)     |
|    | -           | -             | -                      | -             | -             | 8,154,227     |
| \$ | 16,036,990  | \$ 15,083,865 | \$ 14,126,295          | \$ 13,807,166 | \$ 13,135,877 | \$ 13,617,705 |

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

(DOLLARS IN THOUSANDS)

| Functions/Programs   | 2010-11             | 2009-10             | 2008-09             | 2007-08             |
|--|---------------------|---------------------|---------------------|---------------------|
| <b>PROGRAM REVENUES:</b>                                       |                     |                     |                     |                     |
| Charges for Services:  |                     |                     |                     |                     |
| Licenses and Permits   | \$ 120,910          | \$ 106,946          | \$ 119,611          | \$ 84,395           |
| Service Fees   | 874,990             | 607,485             | 681,807             | 667,504             |
| Education - Tuition, Fees, and Sales                           | 2,243,375           | 1,999,358           | 1,957,505           | 1,867,806           |
| Fines and Forfeits   | 1,945               | 2,836               | 1,118               | 999                 |
| Rents and Royalties  | 29,507              | 24,648              | 29,908              | 32,399              |
| Sales of Products  | 592,794             | 590,758             | 560,364             | 579,935             |
| Unemployment Surcharge   | 791,317             | 491,716             | 363,241             | 398,046             |
| Other  | 153,321             | 167,930             | 173,354             | 165,804             |
| Operating Grants and Contributions                             | 3,689,492           | 3,957,310           | 2,214,186           | 1,728,669           |
| Capital Grants and Contributions                               | 25,432              | 24,619              | 20,220              | 9,426               |
| <b>TOTAL PROGRAM REVENUES</b>                                  | <b>8,523,083</b>    | <b>7,973,606</b>    | <b>6,121,314</b>    | <b>5,534,983</b>    |
| <b>EXPENSES:</b>   |                     |                     |                     |                     |
| General Government   | -                   | -                   | -                   | -                   |
| Business, Community, and Consumer Affairs                      | -                   | -                   | -                   | -                   |
| Education  | -                   | -                   | -                   | -                   |
| Health and Rehabilitation                                      | -                   | -                   | -                   | -                   |
| Justice  | -                   | -                   | -                   | -                   |
| Natural Resources  | -                   | -                   | -                   | -                   |
| Social Assistance  | -                   | -                   | -                   | -                   |
| Transportation   | -                   | -                   | -                   | -                   |
| Payments to School Districts                                   | -                   | -                   | -                   | -                   |
| Payments to Other Governments                                  | -                   | -                   | -                   | -                   |
| Interest on Debt   | -                   | -                   | -                   | -                   |
| Higher Education   | 4,755,385           | 4,451,541           | 4,153,282           | 3,865,244           |
| Unemployment Insurance   | 2,141,728           | 2,496,188           | 1,138,621           | 354,967             |
| CollegeInvest <sup>3</sup>                                     | -                   | 68,650              | 78,647              | 116,286             |
| Lottery  | 470,480             | 456,352             | 435,156             | 447,101             |
| Wildlife   | 108,425             | 105,037             | 112,369             | 109,800             |
| College Assist   | 402,648             | 410,027             | 399,576             | 326,080             |
| Other Business-Type Activities                                 | 191,123             | 170,410             | 171,635             | 173,928             |
| <b>TOTAL EXPENSES</b>  | <b>8,069,789</b>    | <b>8,158,205</b>    | <b>6,489,286</b>    | <b>5,393,406</b>    |
| <b>NET (EXPENSE) REVENUE</b>                                   | <b>453,294</b>      | <b>(184,599)</b>    | <b>(367,972)</b>    | <b>141,577</b>      |
| <b>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:</b>       |                     |                     |                     |                     |
| Sales and Use Taxes  | -                   | -                   | -                   | -                   |
| Excise Taxes   | -                   | -                   | -                   | -                   |
| Individual Income Tax  | -                   | -                   | -                   | -                   |
| Corporate Income Tax   | -                   | -                   | -                   | -                   |
| Other Taxes  | -                   | -                   | -                   | 36,963              |
| Restricted Taxes   | -                   | -                   | -                   | -                   |
| Unrestricted Investment Earnings (Losses)                      | -                   | -                   | -                   | -                   |
| Other General Revenues   | -                   | -                   | -                   | -                   |
| Special and/or Extraordinary Items (See Note 35)               | 1,493               | (79,575)            | -                   | -                   |
| (Transfers-Out) / Transfers-In                                 | 110,266             | 94,993              | 114,685             | 77,732              |
| Internal Capital Contributions                                 | -                   | -                   | -                   | -                   |
| Permanent Fund Additions                                       | -                   | -                   | -                   | -                   |
| <b>TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:</b> | <b>111,759</b>      | <b>15,418</b>       | <b>114,685</b>      | <b>114,695</b>      |
| <b>TOTAL CHANGES IN NET ASSETS</b>                             | <b>565,053</b>      | <b>(169,181)</b>    | <b>(253,287)</b>    | <b>256,272</b>      |
| <b>NET ASSETS - BEGINNING</b>                                  | <b>4,746,480</b>    | <b>4,880,112</b>    | <b>5,127,090</b>    | <b>4,870,818</b>    |
| Prior Period Adjustment  | (46,850)            | 35,549              | 6,309               | -                   |
| Accounting Changes   | -                   | -                   | -                   | -                   |
| <b>NET ASSETS - ENDING</b>                                     | <b>\$ 5,264,683</b> | <b>\$ 4,746,480</b> | <b>\$ 4,880,112</b> | <b>\$ 5,127,090</b> |

<sup>1</sup> – In Fiscal Year 2005-06, the State changed the funding method for Higher Education Institutions and amounts previously reported as transfers are now reported as service fees and tuition.

<sup>2</sup> – In Fiscal Year 2005-06, the State segregated the Wildlife and College Assist enterprise funds out of the Other Business-Type Activities line.



**BUSINESS-TYPE ACTIVITIES**

|    | 2006-07   | 2005-06                | 2004-05      | 2003-04      | 2002-03      | 2001-02      |
|----|-----------|------------------------|--------------|--------------|--------------|--------------|
| \$ | 84,302    | \$ 75,388              | \$ 64,864    | \$ 66,196    | \$ 59,426    | \$ 57,546    |
|    | 575,555   | 536,261 <sup>1</sup>   | 273,541      | 242,809      | 188,614      | 153,983      |
|    | 1,734,996 | 1,622,045 <sup>1</sup> | 1,294,488    | 1,227,187    | 1,143,890    | 1,062,083    |
|    | 1,174     | 729                    | 596          | 554          | 1,025        | 1,379        |
|    | 26,271    | 28,765                 | 21,527       | 44,783       | 16,576       | 21,084       |
|    | 520,838   | 522,715                | 467,088      | 449,910      | 440,902      | 459,317      |
|    | 403,641   | 504,039                | 462,416      | 338,063      | 190,461      | 153,024      |
|    | 140,376   | 162,045                | 120,145      | 117,682      | 130,239      | 255,970      |
|    | 1,685,417 | 1,466,045              | 1,403,928    | 1,344,191    | 1,398,401    | 1,176,005    |
|    | 22,263    | 16,856                 | 16,667       | 73,952       | 28,662       | 47,202       |
|    | 5,194,833 | 4,934,888              | 4,125,260    | 3,905,327    | 3,598,196    | 3,387,593    |
|    | -         | -                      | -            | -            | -            | -            |
|    | -         | -                      | -            | -            | -            | -            |
|    | -         | -                      | -            | -            | -            | -            |
|    | -         | -                      | -            | -            | -            | -            |
|    | -         | -                      | -            | -            | -            | -            |
|    | -         | -                      | -            | -            | -            | -            |
|    | -         | -                      | -            | -            | -            | -            |
|    | -         | -                      | -            | -            | -            | -            |
|    | 3,661,270 | 3,446,716              | 3,294,154    | 3,128,126    | 3,108,493    | 2,942,776    |
|    | 316,577   | 305,447                | 352,712      | 591,789      | 742,745      | 583,508      |
|    | 96,720    | 73,745                 | 54,453       | 37,355       | 45,213       | 41,351       |
|    | 401,969   | 402,391                | 367,474      | 354,159      | 341,907      | 349,955      |
|    | 96,515    | 91,221 <sup>2</sup>    | -            | -            | -            | -            |
|    | 199,677   | 115,200 <sup>2</sup>   | -            | -            | -            | -            |
|    | 163,727   | 138,773                | 267,408      | 246,988      | 253,633      | 229,773      |
|    | 4,936,455 | 4,573,493              | 4,336,201    | 4,358,417    | 4,491,991    | 4,147,363    |
|    | 258,378   | 361,395                | (210,941)    | (453,090)    | (893,795)    | (759,770)    |
|    | -         | -                      | -            | -            | -            | -            |
|    | -         | -                      | -            | -            | -            | -            |
|    | -         | -                      | -            | -            | -            | -            |
|    | 39,446    | 34,728                 | -            | -            | -            | -            |
|    | -         | -                      | -            | -            | -            | -            |
|    | -         | -                      | -            | -            | -            | -            |
|    | -         | (707)                  | -            | -            | -            | -            |
|    | 98,926    | 80,894 <sup>1</sup>    | 545,175      | 546,580      | 634,674      | 662,141      |
|    | -         | -                      | 10,303       | 15,330       | 76,210       | 151,465      |
|    | -         | -                      | -            | -            | -            | -            |
|    | 138,372   | 114,915                | 555,478      | 561,910      | 710,884      | 813,606      |
|    | 396,750   | 476,310                | 344,537      | 108,820      | (182,911)    | 53,836       |
|    | 4,456,800 | 3,977,171              | 3,616,740    | 3,504,704    | 3,614,667    | 4,887,925    |
|    | 17,267    | 3,319                  | 15,894       | 3,216        | 72,948       | 95,811       |
|    | -         | -                      | -            | -            | -            | (1,422,905)  |
| \$ | 4,870,817 | \$ 4,456,800           | \$ 3,977,171 | \$ 3,616,740 | \$ 3,504,704 | \$ 3,614,667 |

<sup>3</sup> – Due to the disposition of the CollegeInvest loan portfolio and related variable debt, CollegeInvest was removed as a major fund in Fiscal Year 2010-11 and is subsequently reported as part of the Other Business-Type Activities.

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

(DOLLARS IN THOUSANDS)

| Functions/Programs   | 2010-11              | 2009-10              | 2008-09              | RESTATED<br>2007-08  |
|--|----------------------|----------------------|----------------------|----------------------|
| <b>PROGRAM REVENUES:</b>   |                      |                      |                      |                      |
| Charges for Services:  |                      |                      |                      |                      |
| Licenses and Permits   | \$ 575,543           | \$ 526,812           | \$ 505,922           | \$ 458,916           |
| Service Fees   | 1,610,810            | 1,197,280            | 866,134              | 800,326              |
| Education - Tuition, Fees, and Sales                               | 2,243,375            | 1,999,358            | 1,957,558            | 1,867,806            |
| Fines and Forfeits   | 202,377              | 221,728              | 204,377              | 156,691              |
| Rents and Royalties  | 158,095              | 104,166              | 115,719              | 111,288              |
| Sales of Products  | 597,768              | 594,612              | 565,404              | 584,527              |
| Unemployment Surcharge   | 809,928              | 511,045              | 382,610              | 419,558              |
| Other  | 242,830              | 235,390              | 234,522              | 223,426              |
| Operating Grants and Contributions                                 | 9,908,328            | 9,842,967            | 7,279,615            | 5,951,339            |
| Capital Grants and Contributions                                   | 684,720              | 632,002              | 505,931              | 449,119              |
| <b>TOTAL PROGRAM REVENUES</b>                                      | <b>17,033,774</b>    | <b>15,865,360</b>    | <b>12,617,792</b>    | <b>11,022,996</b>    |
| <b>EXPENSES:</b>   |                      |                      |                      |                      |
| General Government   | 192,579              | 189,865              | 308,410              | 217,939              |
| Business, Community, and Consumer Affairs                          | 667,929              | 662,854              | 705,037              | 667,381              |
| Education  | 5,432,143            | 5,096,032            | 5,208,705            | 5,017,551            |
| Health and Rehabilitation  | 696,539              | 659,187              | 644,699              | 603,296              |
| Justice  | 1,538,363            | 1,527,857            | 1,543,310            | 1,436,009            |
| Natural Resources  | 149,878              | 144,445              | 137,159              | 131,658              |
| Social Assistance  | 6,397,426            | 6,091,958            | 5,220,295            | 4,660,287            |
| Transportation   | 1,974,009            | 2,105,688            | 1,376,215            | 1,459,295            |
| Payments to School Districts                                       | -                    | -                    | -                    | -                    |
| Payments to Other Governments                                      | -                    | -                    | -                    | -                    |
| Interest on Debt   | 32,487               | 33,203               | 20,393               | 37,567               |
| Higher Education   | 4,755,385            | 4,451,541            | 4,153,282            | 3,865,244            |
| Unemployment Insurance   | 2,141,728            | 2,496,188            | 1,138,621            | 354,967              |
| CollegeInvest <sup>3</sup>   | -                    | 68,650               | 78,647               | 116,286              |
| Lottery  | 470,480              | 456,352              | 435,156              | 447,101              |
| Wildlife   | 108,425              | 105,037              | 112,369              | 109,800              |
| College Assist   | 402,648              | 410,027              | 399,576              | 326,080              |
| Other Business-Type Activities                                     | 191,123              | 170,410              | 171,635              | 173,928              |
| <b>TOTAL EXPENSES</b>  | <b>25,151,142</b>    | <b>24,669,294</b>    | <b>21,653,509</b>    | <b>19,624,389</b>    |
| <b>NET (EXPENSE) REVENUE</b>                                       | <b>(8,117,368)</b>   | <b>(8,803,934)</b>   | <b>(9,035,717)</b>   | <b>(8,601,393)</b>   |
| <b>GENERAL REVENUES AND<br/>OTHER CHANGES IN NET ASSETS:</b>       |                      |                      |                      |                      |
| Sales and Use Taxes  | 2,280,693            | 1,987,576            | 2,093,113            | 2,357,807            |
| Excise Taxes   | 236,945              | 244,344              | 251,209              | 257,908              |
| Individual Income Tax  | 4,151,119            | 3,770,597            | 4,024,105            | 4,591,481            |
| Corporate Income Tax   | 441,778              | 360,852              | 322,683              | 461,390              |
| Other Taxes  | 466,408              | 376,388              | 655,478              | 547,405              |
| Restricted Taxes   | 928,260              | 873,287              | 880,625              | 986,274              |
| Unrestricted Investment Earnings (Losses)                          | 6,523                | 10,215               | 22,591               | 42,478               |
| Other General Revenues   | 91,608               | 112,138              | 119,748              | 113,603              |
| Special and/or Extraordinary Items (See Note 35)                   | 1,493                | (79,575)             | (5,616)              | (6,843)              |
| (Transfers-Out) / Transfers-In                                     | -                    | -                    | -                    | -                    |
| Internal Capital Contributions                                     | -                    | -                    | -                    | -                    |
| Permanent Fund Additions   | 460                  | 357                  | -                    | -                    |
| <b>TOTAL GENERAL REVENUES AND<br/>OTHER CHANGES IN NET ASSETS:</b> | <b>8,605,287</b>     | <b>7,656,179</b>     | <b>8,363,936</b>     | <b>9,351,503</b>     |
| <b>TOTAL CHANGES IN NET ASSETS</b>                                 | <b>487,919</b>       | <b>(1,147,755)</b>   | <b>(671,781)</b>     | <b>750,110</b>       |
| <b>NET ASSETS - BEGINNING</b>                                      | <b>18,201,752</b>    | <b>20,357,317</b>    | <b>20,957,280</b>    | <b>20,907,808</b>    |
| Prior Period Adjustment  | (31,880)             | (559,075)            | (112,338)            | (393,912)            |
| Accounting Changes   | -                    | (448,735)            | 184,156              | (306,726)            |
| <b>NET ASSETS - ENDING</b>   | <b>\$ 18,657,791</b> | <b>\$ 18,201,752</b> | <b>\$ 20,357,317</b> | <b>\$ 20,957,280</b> |

**TOTAL PRIMARY GOVERNMENT**

|    | 2006-07       | 2005-06       | 2004-05       | 2003-04       | 2002-03       | 2001-02       |
|----|---------------|---------------|---------------|---------------|---------------|---------------|
| \$ | 437,121       | \$ 415,167    | \$ 422,105    | \$ 419,824    | \$ 386,560    | \$ 367,889    |
|    | 705,535       | 659,653       | 401,642       | 375,453       | 305,867       | 259,915       |
|    | 1,734,997     | 1,622,045     | 1,294,488     | 1,227,187     | 1,143,890     | 1,062,083     |
|    | 127,786       | 122,588       | 118,262       | 109,895       | 100,679       | 89,373        |
|    | 94,541        | 97,685        | 83,051        | 90,123        | 48,890        | 52,757        |
|    | 524,541       | 525,815       | 469,929       | 453,074       | 443,198       | 462,318       |
|    | 425,987       | 526,438       | 483,940       | 358,175       | 209,961       | 172,654       |
|    | 205,340       | 241,855       | 174,399       | 172,898       | 177,503       | 328,966       |
|    | 5,807,777     | 5,375,427     | 5,088,806     | 4,945,999     | 4,951,146     | 4,342,628     |
|    | 436,865       | 464,139       | 426,125       | 561,394       | 438,732       | 399,327       |
|    | 10,500,490    | 10,050,812    | 8,962,747     | 8,714,022     | 8,206,426     | 7,537,910     |
|    | 163,412       | 164,276       | 141,320       | 161,588       | 244,062       | 210,837       |
|    | 565,769       | 449,411       | 367,553       | 343,589       | 327,935       | 253,054       |
|    | 4,771,218     | 4,394,236     | 194,723       | 173,823       | 194,436       | 285,636       |
|    | 560,153       | 524,736       | 475,668       | 477,572       | 475,405       | 471,198       |
|    | 1,313,767     | 1,197,334     | 1,026,282     | 936,374       | 971,227       | 957,320       |
|    | 138,457       | 112,753       | 62,638        | 81,114        | 103,888       | 103,801       |
|    | 4,496,696     | 4,348,466     | 3,016,668     | 2,954,217     | 2,830,164     | 2,608,748     |
|    | 1,213,138     | 1,205,556     | 919,388       | 746,153       | 890,081       | 750,759       |
|    | -             | -             | 3,283,590     | 3,131,486     | 2,946,679     | 2,689,452     |
|    | -             | -             | 1,848,922     | 1,674,416     | 1,687,006     | 1,596,066     |
|    | 42,269        | 31,969        | 26,925        | 9,625         | 16,219        | 16,750        |
|    | 3,661,270     | 3,446,716     | 3,294,154     | 3,128,126     | 3,108,493     | 2,942,776     |
|    | 316,577       | 305,447       | 352,712       | 591,789       | 742,745       | 583,508       |
|    | 96,720        | 73,745        | 54,453        | 37,355        | 45,213        | 41,351        |
|    | 401,969       | 402,391       | 367,474       | 354,159       | 341,907       | 349,955       |
|    | 96,515        | 91,221        | -             | -             | -             | -             |
|    | 199,677       | 115,200       | -             | -             | -             | -             |
|    | 163,727       | 138,773       | 267,408       | 246,988       | 253,633       | 229,773       |
|    | 18,201,334    | 17,002,230    | 15,699,878    | 15,048,374    | 15,179,093    | 14,090,984    |
|    | (7,700,844)   | (6,951,418)   | (6,737,131)   | (6,334,352)   | (6,972,667)   | (6,553,074)   |
|    | 2,244,000     | 2,148,981     | 1,980,785     | 1,920,934     | 1,829,380     | 1,881,162     |
|    | 261,711       | 266,747       | 182,726       | 112,741       | 86,048        | 91,761        |
|    | 4,508,845     | 4,044,581     | 3,450,493     | 3,253,027     | 2,996,597     | 3,168,499     |
|    | 470,853       | 422,656       | 291,583       | 220,236       | 205,569       | 172,257       |
|    | 523,854       | 602,912       | 491,214       | 465,826       | 371,089       | 363,190       |
|    | 946,757       | 922,872       | 868,251       | 835,680       | 731,138       | 818,234       |
|    | 43,638        | 35,372        | 29,736        | 16,534        | 16,577        | 37,236        |
|    | 84,328        | 84,335        | 95,912        | 99,200        | 146,516       | 122,527       |
|    | (25,915)      | (14,241)      | (1,112)       | -             | -             | (21,000)      |
|    | -             | -             | -             | -             | -             | -             |
|    | -             | -             | 9,872         | 15,310        | 53,355        | 151,490       |
|    | -             | -             | -             | -             | -             | -             |
|    | 9,058,071     | 8,514,215     | 7,399,460     | 6,939,488     | 6,436,269     | 6,785,356     |
|    | 1,357,227     | 1,562,797     | 662,329       | 605,136       | (536,398)     | 232,282       |
|    | 19,540,665    | 18,103,466    | 17,423,906    | 16,640,581    | 17,232,372    | 10,345,572    |
|    | 9,916         | (125,598)     | 17,231        | 178,189       | (55,393)      | (76,804)      |
|    | -             | -             | -             | -             | -             | 6,731,322     |
| \$ | \$ 20,907,808 | \$ 19,540,665 | \$ 18,103,466 | \$ 17,423,906 | \$ 16,640,581 | \$ 17,232,372 |

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
ALL GOVERNMENTAL FUND TYPES  
Last Ten Fiscal Years**

(DOLLARS IN MILLIONS)

|   | 2010-11 <sup>3</sup> | 2009-10         | 2008-09 <sup>2</sup> | 2007-08         |
|---|----------------------|-----------------|----------------------|-----------------|
| <b>REVENUES:</b>                                    |                      |                 |                      |                 |
| Taxes   | \$ 8,430             | \$ 7,640        | \$ 8,231             | \$ 9,203        |
| Less: Excess TABOR Revenues                         | -                    | -               | -                    | -               |
| Licenses, Permits, and Fines                        | 745                  | 734             | 701                  | 643             |
| Charges for Goods and Services                      | 730                  | 552             | 150                  | 104             |
| Rents (reported in 'Other' prior to FY05)           | 129                  | 80              | 86                   | 79              |
| Investment Income                                   | 97                   | 199             | 258                  | 316             |
| Federal Grants and Contracts                        | 6,917                | 7,023           | 5,480                | 4,308           |
| Unclaimed Property Receipts                         | 40                   | 42              | 58                   | -               |
| Other   | 221                  | 192             | 195                  | 179             |
| <b>TOTAL REVENUES</b>                               | <b>17,309</b>        | <b>16,462</b>   | <b>15,159</b>        | <b>14,832</b>   |
| <b>EXPENDITURES:</b>                                |                      |                 |                      |                 |
| Current:  |                      |                 |                      |                 |
| General Government                                  | 560                  | 775             | 511                  | 123             |
| Business, Community and Consumer Affairs            | 388                  | 369             | 332                  | 311             |
| Education   | 778                  | 855             | 879                  | 802             |
| Health and Rehabilitation                           | 592                  | 583             | 608                  | 561             |
| Justice   | 1,314                | 1,315           | 1,285                | 1,195           |
| Natural Resources                                   | 132                  | 126             | 121                  | 112             |
| Social Assistance                                   | 5,656                | 4,454           | 3,836                | 3,669           |
| Transportation                                      | 1,064                | 1,017           | 1,074                | 1,055           |
| Capital Outlay                                      | 329                  | 240             | 308                  | 243             |
| Intergovernmental:                                  |                      |                 |                      |                 |
| Cities  | 300                  | 281             | 294                  | 289             |
| Counties  | 1,478                | 2,253           | 2,043                | 1,799           |
| School Districts                                    | 4,303                | 4,364           | 4,143                | 3,814           |
| Other   | 185                  | 219             | 185                  | 258             |
| Debt Service <sup>1</sup>                           | 208                  | 194             | 189                  | 208             |
| <b>TOTAL EXPENDITURES</b>                           | <b>17,286</b>        | <b>17,045</b>   | <b>15,808</b>        | <b>14,439</b>   |
| <b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b> | <b>23</b>            | <b>(583)</b>    | <b>(649)</b>         | <b>393</b>      |
| <b>OTHER FINANCING SOURCES (USES)</b>               |                      |                 |                      |                 |
| Transfers-In  | 4,776                | 5,333           | 5,179                | 4,298           |
| Transfers-Out:                                      |                      |                 |                      |                 |
| Higher Education                                    | -                    | -               | (121)                | (131)           |
| Other   | (4,866)              | (5,389)         | (5,162)              | (4,237)         |
| Face Amount of Debt Issued                          | 218                  | 559             | -                    | -               |
| Bond Premium/Discount                               | -                    | 8               | -                    | -               |
| Capital Lease Debt Issuance                         | 17                   | -               | 11                   | 18              |
| Sale of Capital Assets                              | -                    | -               | -                    | 1               |
| Insurance Recoveries                                | 2                    | 4               | 2                    | 2               |
| Debt Refunding Issuance                             | -                    | -               | -                    | -               |
| Debt Refunding Payments                             | -                    | -               | -                    | -               |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>         | <b>147</b>           | <b>515</b>      | <b>(91)</b>          | <b>(49)</b>     |
| <b>NET CHANGE IN FUND BALANCE</b>                   | <b>170</b>           | <b>(68)</b>     | <b>(740)</b>         | <b>344</b>      |
| <b>FUND BALANCE - BEGINNING</b>                     | <b>4,086</b>         | <b>4,785</b>    | <b>5,312</b>         | <b>5,012</b>    |
| Prior Period Adjustments                            | (4)                  | (41)            | (1)                  | (44)            |
| Accounting Changes                                  | 591                  | -               | 214                  | -               |
| <b>FUND BALANCE - ENDING</b>                        | <b>\$ 4,842</b>      | <b>\$ 4,676</b> | <b>\$ 4,785</b>      | <b>\$ 5,312</b> |

<sup>1</sup> – See additional debt service information including principal and interest components and a ratio of total debt service expenditures to total noncapital expenditures on page 264.

<sup>2</sup> – In Fiscal Years 2008-09 and 2009-10, Unclaimed Property activity was partially converted from a Private Purpose Trust Fund to a Special Revenue Fund and therefore is not included in this schedule prior to the conversion.

<sup>3</sup> – Beginning in Fiscal Year 2010-11 the Supplemental Nutrition Assistance Program (SNAP) expenditures are reported in the Social Assistance line. In previous years it was reported as Intergovernmental payments in the Counties line.

|    | 2006-07 | 2005-06  | 2004-05  | 2003-04  | 2002-03  | 2001-02  |
|----|---------|----------|----------|----------|----------|----------|
| \$ | 8,936   | \$ 8,396 | \$ 7,323 | \$ 6,794 | \$ 6,261 | \$ 6,499 |
|    | -       | -        | (41)     | -        | -        | -        |
|    | 575     | 541      | 565      | 551      | 517      | 504      |
|    | 99      | 99       | 99       | 108      | 108      | 99       |
|    | 68      | 69       | 62       | -        | -        | -        |
|    | 272     | 117      | 126      | 54       | 259      | 240      |
|    | 4,073   | 4,054    | 3,831    | 3,880    | 3,471    | 3,104    |
|    | -       | -        | -        | -        | -        | -        |
|    | 320     | 341      | 321      | 358      | 351      | 299      |
|    | 14,343  | 13,617   | 12,286   | 11,745   | 10,967   | 10,745   |
|    | 251     | 256      | 278      | 267      | 229      | 238      |
|    | 303     | 274      | 277      | 296      | 317      | 277      |
|    | 713     | 673      | 129      | 119      | 116      | 122      |
|    | 530     | 486      | 443      | 450      | 450      | 453      |
|    | 1,088   | 998      | 978      | 897      | 933      | 924      |
|    | 107     | 97       | 90       | 85       | 82       | 82       |
|    | 3,400   | 3,263    | 3,026    | 2,969    | 2,851    | 2,619    |
|    | 950     | 962      | 983      | 1,098    | 1,105    | 1,127    |
|    | 124     | 82       | 92       | 74       | 136      | 276      |
|    | 239     | 251      | 218      | 211      | 198      | 209      |
|    | 1,721   | 1,616    | 1,474    | 1,319    | 1,328    | 1,229    |
|    | 3,719   | 3,455    | 3,284    | 3,131    | 2,947    | 2,689    |
|    | 242     | 197      | 157      | 144      | 160      | 158      |
|    | 213     | 204      | 114      | 92       | 99       | 85       |
|    | 13,600  | 12,814   | 11,543   | 11,152   | 10,951   | 10,488   |
|    | 743     | 803      | 743      | 593      | 16       | 257      |
|    | 4,202   | 3,645    | 3,198    | 2,819    | 3,507    | 3,987    |
|    | (120)   | (128)    | (597)    | (605)    | (695)    | (742)    |
|    | (4,137) | (3,580)  | (3,136)  | (2,750)  | (3,406)  | (3,880)  |
|    | -       | -        | -        | 235      | -        | 208      |
|    | -       | -        | -        | 53       | -        | 12       |
|    | 4       | 132      | 27       | 2        | 12       | 5        |
|    | -       | 4        | 10       | 12       | 3        | 3        |
|    | 1       | 1        | -        | -        | -        | -        |
|    | -       | -        | -        | 280      | 443      | 10       |
|    | -       | -        | -        | (311)    | (436)    | (10)     |
|    | (50)    | 74       | (498)    | (265)    | (572)    | (407)    |
|    | 693     | 877      | 245      | 328      | (556)    | (150)    |
|    | 4,319   | 3,441    | 3,196    | 2,827    | 3,383    | 4,043    |
|    | -       | 1        | -        | 41       | -        | (510)    |
|    | -       | -        | -        | -        | -        | -        |
| \$ | 5,012   | \$ 4,319 | \$ 3,441 | \$ 3,196 | \$ 2,827 | \$ 3,383 |

**GENERAL PURPOSE REVENUE (AFTER TABOR REFUNDS)**  
**GENERAL FUND**  
**IN DOLLARS AND AS A PERCENT OF TOTAL**  
**Last Ten Fiscal Years**

(DOLLARS IN MILLIONS)

|                                   | 2010-11         | 2009-10         | 2008-09         | 2007-08         |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|
| Income Tax:                       |                 |                 |                 |                 |
| Individual                        | \$ 4,154        | \$ 3,777        | \$ 4,021        | \$ 4,600        |
| Corporate                         | 366             | 350             | 265             | 474             |
| Net Income Tax                    | 4,520           | 4,127           | 4,286           | 5,074           |
| Sales, Use, and Excise Taxes      | 2,323           | 2,072           | 1,982           | 2,173           |
| Less: Excess TABOR Revenues       | -               | -               | -               | -               |
| Net Sales, Use, and Excise Taxes  | 2,323           | 2,072           | 1,982           | 2,173           |
| Estate Taxes                      | -               | -               | -               | -               |
| Insurance Tax                     | 190             | 187             | 192             | 188             |
| Gaming and Other Taxes            | 20              | 16              | -               | -               |
| Investment Income                 | 8               | 10              | 9               | 18              |
| Medicaid Provider Revenues        | -               | -               | -               | -               |
| Other                             | 25              | 44              | 56              | 52              |
| <b>TOTAL GENERAL REVENUES</b>     | <b>\$ 7,086</b> | <b>\$ 6,456</b> | <b>\$ 6,525</b> | <b>\$ 7,505</b> |
| Percent Change From Previous Year | 9.8%            | -1.1%           | -13.1%          | 2.6%            |

(AS PERCENT OF TOTAL EXCLUDING TABOR REFUND)

|                               |               |               |               |               |
|-------------------------------|---------------|---------------|---------------|---------------|
| Net Income Tax                | 63.8%         | 63.9%         | 65.7%         | 67.6%         |
| Sales, Use, and Excise Taxes  | 32.7          | 32.1          | 30.4          | 29.0          |
| Estate Taxes                  | 0.0           | 0.0           | 0.0           | 0.0           |
| Insurance Tax                 | 2.7           | 2.9           | 2.9           | 2.5           |
| Other Taxes                   | 0.3           | 0.2           | 0.0           | 0.0           |
| Interest                      | 0.1           | 0.2           | 0.1           | 0.2           |
| Medicaid Provider Revenues    | 0.0           | 0.0           | 0.0           | 0.0           |
| Other                         | 0.4           | 0.7           | 0.9           | 0.7           |
| <b>TOTAL GENERAL REVENUES</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |

| 2006-07  | 2005-06  | 2004-05  | 2003-04  | 2002-03  | 2001-02  |
|----------|----------|----------|----------|----------|----------|
| \$ 4,510 | \$ 4,044 | \$ 3,421 | \$ 3,189 | \$ 2,945 | \$ 3,086 |
| 464      | 422      | 293      | 218      | 214      | 165      |
| 4,974    | 4,466    | 3,714    | 3,407    | 3,159    | 3,251    |
| 2,076    | 1,995    | 2,146    | 2,005    | 1,915    | 1,962    |
| -        | -        | (41)     | -        | -        | -        |
| 2,076    | 1,995    | 2,105    | 2,005    | 1,915    | 1,962    |
| 1        | 7        | 26       | 47       | 53       | 73       |
| 179      | 175      | 189      | 176      | 171      | 155      |
| 7        | 18       | 40       | 40       | 38       | 34       |
| 28       | 33       | 28       | 20       | 51       | 25       |
| -        | -        | -        | -        | 16       | 11       |
| 48       | 52       | 59       | 72       | 74       | 61       |
| \$ 7,313 | \$ 6,746 | \$ 6,161 | \$ 5,767 | \$ 5,477 | \$ 5,572 |
| 8.4%     | 9.5%     | 6.8%     | 5.3%     | -1.7%    | 2.7%     |
| 68.0%    | 66.2%    | 60.3%    | 59.1%    | 57.7%    | 58.3%    |
| 28.4     | 29.5     | 34.1     | 34.8     | 34.9     | 35.3     |
| 0.0      | 0.1      | 0.4      | 0.8      | 1.0      | 1.3      |
| 2.4      | 2.6      | 3.1      | 3.1      | 3.1      | 2.8      |
| 0.1      | 0.3      | 0.6      | 0.7      | 0.7      | 0.6      |
| 0.4      | 0.5      | 0.5      | 0.3      | 0.9      | 0.4      |
| 0.0      | 0.0      | 0.0      | 0.0      | 0.3      | 0.2      |
| 0.7      | 0.8      | 1.0      | 1.2      | 1.4      | 1.1      |
| 100.0%   | 100.0%   | 100.0%   | 100.0%   | 100.0%   | 100.0%   |

**EXPENDITURES BY DEPARTMENT<sup>1</sup> AND TRANSFERS  
FUNDED BY GENERAL PURPOSE REVENUES  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

|  | 2010-11             | 2009-10             | 2008-09             | 2007-08             |
|--|---------------------|---------------------|---------------------|---------------------|
| Department: <sup>1</sup>                       |                     |                     |                     |                     |
| Agriculture                                    | \$ 4,761            | \$ 5,915            | \$ 6,809            | \$ 7,124            |
| Corrections                                    | 656,184             | 563,570             | 637,292             | 626,246             |
| Education                                      | 2,963,080           | 3,238,879           | 3,214,951           | 3,023,255           |
| Governor                                       | 11,481              | 13,781              | 13,342              | 17,346              |
| Health Care Policy and Financing               | 1,303,820           | 1,152,245           | 1,311,702           | 1,482,803           |
| Higher Education                               | 705,085             | 428,784             | 661,974             | 747,717             |
| Human Services                                 | 724,121             | 751,149             | 776,394             | 749,974             |
| Judicial Branch                                | 324,079             | 323,146             | 328,056             | 300,674             |
| Labor and Employment                           | -                   | -                   | -                   | -                   |
| Law  | 9,406               | 9,133               | 8,705               | 8,474               |
| Legislative Branch                             | 31,858              | 32,504              | 34,944              | 31,139              |
| Local Affairs                                  | 10,532              | 10,854              | 12,276              | 10,895              |
| Military and Veterans Affairs                  | 5,062               | 5,263               | 5,637               | 5,407               |
| Natural Resources                              | 25,617              | 25,515              | 30,558              | 30,086              |
| Personnel & Administration                     | 4,886               | 5,139               | 5,337               | 10,934              |
| Public Health and Environment                  | 27,291              | 26,548              | 26,634              | 23,596              |
| Public Safety                                  | 80,366              | 79,459              | 78,874              | 72,806              |
| Regulatory Agencies                            | 1,490               | 1,429               | 1,451               | 1,400               |
| Revenue  | 35,674              | 54,187              | 67,092              | 73,593              |
| Treasury                                       | 4,378               | 7,784               | 10,643              | 13,902              |
| Transfer to Capital Construction Fund          | 11,985              | 169                 | 39,396              | 183,443             |
| Transfer to Various Cash Funds                 | 8,000               | 8,000               | 10,281              | 327                 |
| Transfer to the Highway Users Tax Fund         | -                   | -                   | 28,965              | 166,182             |
| Other Transfers and Nonoperating Disbursements | 20,555              | 20,555              | 102,966             | 137,747             |
|  | <u>\$ 6,969,711</u> | <u>\$ 6,764,008</u> | <u>\$ 7,414,279</u> | <u>\$ 7,725,070</u> |
| TOTALS   |                     |                     |                     |                     |
| Percent Change                                 | 3.0%                | -8.8%               | -4.0%               | 3.0%                |
| (AS PERCENT OF TOTAL)                          |                     |                     |                     |                     |
| Education                                      | 42.5%               | 47.9%               | 43.4%               | 39.1%               |
| Health Care Policy and Financing               | 18.7                | 17.0                | 17.7                | 19.2                |
| Higher Education                               | 10.1                | 6.3                 | 8.9                 | 9.7                 |
| Human Services                                 | 10.4                | 11.1                | 10.5                | 9.7                 |
| Corrections                                    | 9.4                 | 8.3                 | 8.6                 | 8.1                 |
| Transfer to Capital Construction Fund          | 0.2                 | 0.0                 | 0.5                 | 2.4                 |
| Transfer to Various Cash Funds                 | 0.1                 | 0.1                 | 0.1                 | 0.0                 |
| Transfers to the Highway Users Tax Fund        | 0.0                 | 0.0                 | 0.4                 | 2.2                 |
| Judicial                                       | 4.6                 | 4.8                 | 4.4                 | 3.9                 |
| Revenue  | 0.5                 | 0.8                 | 0.9                 | 1.0                 |
| All Others                                     | 3.5                 | 3.7                 | 4.6                 | 4.7                 |
| TOTALS   | <u>100.0%</u>       | <u>100.0%</u>       | <u>100.0%</u>       | <u>100.0%</u>       |

<sup>1</sup> – Expenditures in this schedule are reported on the modified accrual basis (GAAP basis) rather than the budgetary basis, which defers certain payroll, Medicaid costs and related revenues, and other statutorily defined expenditures to the following fiscal year. Certain expenditures are shown in the department that makes the external payment rather than being shown in the department that receives the original general-funded appropriation.



| 2006-07             | 2005-06             | 2004-05             | 2003-04             | 2002-03             | 2001-02             |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 5,197            | \$ 4,038            | \$ 4,107            | \$ 3,716            | \$ 8,700            | \$ 10,118           |
| 577,482             | 534,233             | 495,234             | 467,207             | 476,972             | 443,334             |
| 2,882,876           | 2,718,667           | 2,514,427           | 2,417,490           | 2,313,588           | 2,268,794           |
| 11,991              | 15,862              | 15,808              | 13,317              | 31,465              | 19,566              |
| 1,369,321           | 1,362,893           | 1,247,254           | 1,142,620           | 1,132,643           | 1,076,838           |
| 693,999             | 636,341             | 587,958             | 591,221             | 685,686             | 739,556             |
| 718,366             | 590,071             | 568,461             | 534,759             | 551,299             | 560,716             |
| 265,161             | 237,673             | 219,612             | 207,432             | 213,939             | 214,619             |
| 108                 | -                   | -                   | -                   | -                   | -                   |
| 8,975               | 7,143               | 6,738               | 6,266               | 8,141               | 9,677               |
| 29,880              | 27,633              | 26,745              | 26,818              | 28,100              | 27,224              |
| 9,973               | 8,500               | 8,573               | 4,565               | 7,419               | 10,361              |
| 5,050               | 4,324               | 3,883               | 3,739               | 4,273               | 3,973               |
| 28,550              | 22,806              | 22,481              | 19,337              | 23,599              | 24,434              |
| 9,385               | 8,181               | 7,805               | 7,457               | 12,282              | 14,028              |
| 23,081              | 20,586              | 13,061              | 12,359              | 16,573              | 31,790              |
| 67,169              | 58,785              | 56,315              | 53,895              | 54,465              | 56,597              |
| 1,273               | 1,390               | 1,047               | 1,028               | 1,582               | 1,914               |
| 65,398              | 57,928              | 57,702              | 57,066              | 66,898              | 69,297              |
| 12,403              | 18,443              | 15,027              | 690                 | 62,171              | 4,198               |
| 291,467             | 104,841             | 40,759              | 12,270              | 9,489               | 25,564              |
| 3,748               | 67,100              | 185,628             | -                   | -                   | -                   |
| 291,179             | 65,345              | 81,212              | 5,559               | -                   | 35,179              |
| 130,598             | 49,190              | 20,264              | 34,257              | 58,746              | 68,325              |
| <b>\$ 7,502,630</b> | <b>\$ 6,621,973</b> | <b>\$ 6,200,101</b> | <b>\$ 5,623,068</b> | <b>\$ 5,768,030</b> | <b>\$ 5,716,102</b> |
| 13.3%               | 6.8%                | 10.3%               | -2.5%               | 0.9%                | -0.4%               |
| 38.4%               | 41.1%               | 40.6%               | 43.0%               | 40.1%               | 39.7%               |
| 18.3                | 20.6                | 20.1                | 20.3                | 19.6                | 18.8                |
| 9.3                 | 9.6                 | 9.5                 | 10.5                | 11.9                | 12.9                |
| 9.6                 | 8.9                 | 9.2                 | 9.5                 | 9.6                 | 9.8                 |
| 7.7                 | 8.1                 | 8.0                 | 8.3                 | 8.3                 | 7.8                 |
| 3.9                 | 1.6                 | 0.7                 | 0.2                 | 0.2                 | 0.4                 |
| 0.0                 | 1.0                 | 3.0                 | 0.0                 | -                   | -                   |
| 3.9                 | 1.0                 | -                   | -                   | -                   | -                   |
| 3.5                 | 3.6                 | 3.5                 | 3.7                 | 3.7                 | 3.8                 |
| 0.9                 | 0.9                 | 0.9                 | 1.0                 | 1.2                 | 1.2                 |
| 4.5                 | 3.6                 | 4.5                 | 3.5                 | 5.4                 | 5.6                 |
| 100.0%              | 100.0%              | 100.0%              | 100.0%              | 100.0%              | 100.0%              |

**FUND BALANCE**  
**GENERAL FUND AND ALL OTHER GOVERNMENTAL FUND TYPES**  
**Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

|   | 2010-11 <sup>2</sup> | 2009-10             | 2008-09              | 2007-08             |
|---|----------------------|---------------------|----------------------|---------------------|
| <b>GENERAL PURPOSE:</b>                     |                      |                     |                      |                     |
| Reserved for:                               |                      |                     |                      |                     |
| Encumbrances                                | \$ -                 | \$ 5,721            | \$ 2,195             | \$ 16,487           |
| Noncurrent Assets                           | -                    | -                   | 1                    | 7                   |
| Statutory Purposes                          | -                    | -                   | 148,212              | 151,721             |
| Risk Management                             | -                    | 23,031              | 18,650               | 35,559              |
| Unreserved Undesignated:                    |                      |                     |                      |                     |
| General Fund                                | -                    | (30,822)            | 155,436 <sup>1</sup> | -                   |
| Unreserved:                                 |                      |                     |                      |                     |
| Designated for Unrealized Investment Gains: |                      |                     |                      |                     |
| General Fund                                | -                    | 17,854              | 10,939               | 3,639               |
| Nonspendable:                               |                      |                     |                      |                     |
| Inventories                                 | 8,742                |                     |                      |                     |
| Prepays                                     | 33,009               |                     |                      |                     |
| Restricted                                  | 542,997              |                     |                      |                     |
| Committed                                   | 39,458               |                     |                      |                     |
| Assigned                                    | 109                  |                     |                      |                     |
| Unassigned                                  | (21,468)             |                     |                      |                     |
| <b>TOTAL RESERVED</b>                       | <b>-</b>             | <b>28,752</b>       | <b>169,058</b>       | <b>203,774</b>      |
| <b>TOTAL UNRESERVED</b>                     | <b>-</b>             | <b>(12,968)</b>     | <b>166,375</b>       | <b>3,639</b>        |
| <b>TOTAL FUND BALANCE</b>                   | <b>602,847</b>       | <b>15,784</b>       | <b>335,433</b>       | <b>207,413</b>      |
| <b>ALL OTHER GOVERNMENTAL FUNDS:</b>        |                      |                     |                      |                     |
| Reserved for:                               |                      |                     |                      |                     |
| Encumbrances                                | \$ -                 | \$ 1,052,572        | \$ 1,043,396         | \$ 966,477          |
| Noncurrent Assets                           | -                    | 584,828             | 515,062              | 425,830             |
| Debt Service                                | -                    | 4,093               | 558                  | 558                 |
| Statutory Purposes                          | -                    | 325,463             | 40,921               | 109,322             |
| Risk Management                             | -                    | -                   | -                    | -                   |
| Emergencies                                 | -                    | 94,000              | 93,550               | 93,000              |
| Funds Reported as Restricted                | -                    | 1,151,448           | 1,445,739            | 1,902,755           |
| Unreserved, Reported in:                    |                      |                     |                      |                     |
| General Fund                                | -                    | -                   | -                    | -                   |
| Special Revenue Funds                       | -                    | 57,148              | 53,498               | 54,676              |
| Capital Projects Funds                      | -                    | (35,611)            | 54,687               | 134,470             |
| Permanent Funds                             | -                    | -                   | -                    | -                   |
| Nonmajor Special Revenue Funds              | -                    | 1,302,178           | 1,117,248            | 1,391,483           |
| Nonmajor Permanent Funds                    | -                    | 10,586              | 8,500                | 2,326               |
| Unreserved:                                 |                      |                     |                      |                     |
| Designated for Unrealized Investment Gains: |                      |                     |                      |                     |
| Reported in Major Funds                     | -                    | 34,487              | 30,327               | 13,385              |
| Reported in Nonmajor Special Revenue Funds  | -                    | 40,778              | 23,719               | 8,751               |
| Reported in Nonmajor Debt Service Funds     | -                    | -                   | -                    | -                   |
| Reported in Nonmajor Permanent Funds        | -                    | 38,541              | 22,875               | 1,571               |
| Nonspendable:                               |                      |                     |                      |                     |
| Inventories                                 | 9,839                |                     |                      |                     |
| Permanent Fund Principal                    | 658,883              |                     |                      |                     |
| Prepays                                     | 21,540               |                     |                      |                     |
| Restricted                                  | 1,988,088            |                     |                      |                     |
| Committed                                   | 1,560,775            |                     |                      |                     |
| <b>TOTAL RESERVED</b>                       | <b>-</b>             | <b>3,212,404</b>    | <b>3,179,226</b>     | <b>3,497,942</b>    |
| <b>TOTAL UNRESERVED</b>                     | <b>-</b>             | <b>1,448,107</b>    | <b>1,310,454</b>     | <b>1,606,662</b>    |
| <b>TOTAL FUND BALANCE</b>                   | <b>4,239,125</b>     | <b>4,660,511</b>    | <b>4,449,680</b>     | <b>5,104,604</b>    |
| <b>TOTAL RESERVED</b>                       | <b>-</b>             | <b>3,241,156</b>    | <b>3,308,284</b>     | <b>3,701,716</b>    |
| <b>TOTAL UNRESERVED</b>                     | <b>-</b>             | <b>1,435,139</b>    | <b>1,476,829</b>     | <b>1,610,301</b>    |
| <b>TOTAL FUND BALANCE</b>                   | <b>\$ 4,841,972</b>  | <b>\$ 4,676,295</b> | <b>\$ 4,785,113</b>  | <b>\$ 5,312,017</b> |

<sup>1</sup> – This amount results from a \$458.1 million year-end transfer into the General Fund from various cash funds to prevent a deficit fund balance

<sup>2</sup> – The implementation of Governmental Accounting Standards Board Statement No. 54 in Fiscal Year 2010-11 resulted in a significant change in the State's fund balance classifications.

|    | 2006-07   | 2005-06      | 2004-05      | 2003-04      | 2002-03      | 2001-02      |
|----|-----------|--------------|--------------|--------------|--------------|--------------|
| \$ | 11,912    | \$ 12,233    | \$ 3,497     | \$ 2,106     | \$ 3,684     | \$ 2,093     |
|    | 13        | 91           | 192          | 300          | 231          | 320          |
|    | 267,020   | 251,704      | 198,751      | 207,003      | 60,731       | 39,622       |
|    | 38,593    | 32,851       | 36,473       | 33,301       | 39,412       | -            |
|    | 95,779    | 295,882      | -            | -            | -            | 137,595      |
|    | -         | -            | -            | 4,272        | 30,657       | 26,697       |
|    | 317,538   | 296,879      | 238,913      | 242,710      | 104,058      | 42,035       |
|    | 95,779    | 295,882      | -            | 4,272        | 30,657       | 164,292      |
|    | 413,317   | 592,761      | 238,913      | 246,982      | 134,715      | 206,327      |
| \$ | 821,112   | \$ 814,811   | \$ 629,430   | \$ 795,414   | \$ 916,053   | \$ 994,758   |
|    | 385,248   | 342,341      | 292,336      | 278,843      | 278,006      | 245,051      |
|    | 558       | 580          | 3,298        | 7,965        | 5,137        | 6,495        |
|    | 130,000   | 137,530      | 10,263       | 11,565       | 10,929       | 14,328       |
|    | -         | -            | -            | -            | -            | -            |
|    | 85,760    | 79,800       | 71,000       | 172,202      | 150,762      | 81,917       |
|    | 1,669,326 | 1,233,272    | 1,104,061    | 998,428      | 770,874      | 1,118,886    |
|    | 72,870    | 872,212      | 812,706      | 41,589       | 27,692       | 29,918       |
|    | 199,126   | (47,740)     | (12,545)     | (39,986)     | 4,555        | 43,029       |
|    | -         | -            | -            | -            | -            | -            |
|    | 1,233,276 | 291,488      | 274,941      | 664,258      | 448,766      | 591,846      |
|    | 1,782     | 1,642        | 1,954        | 1,291        | 961          | 810          |
|    | -         | -            | 4,484        | 6,964        | 30,944       | 14,847       |
|    | -         | -            | 347          | 5,491        | 20,380       | 15,662       |
|    | -         | -            | -            | -            | -            | -            |
|    | -         | -            | 9,926        | 4,718        | 27,429       | 18,644       |
|    | 3,092,004 | 2,608,334    | 2,110,388    | 2,264,417    | 2,131,761    | 2,461,435    |
|    | 1,507,014 | 1,117,602    | 1,091,813    | 684,325      | 560,727      | 714,756      |
|    | 4,599,018 | 3,725,936    | 3,202,201    | 2,948,742    | 2,692,488    | 3,176,191    |
|    | 3,409,542 | 2,905,213    | 2,349,301    | 2,507,127    | 2,235,819    | 2,503,470    |
|    | 1,602,873 | 1,413,484    | 1,091,813    | 688,597      | 591,384      | 879,048      |
| \$ | 5,012,335 | \$ 4,318,697 | \$ 3,441,114 | \$ 3,195,724 | \$ 2,827,203 | \$ 3,382,518 |

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

(DOLLARS IN THOUSANDS)

|  | <b>Unaudited</b>    |                    |                       |
|--|---------------------|--------------------|-----------------------|
|  | <b>2010-11</b>      | <b>2009-10</b>     | <b>2008-09</b>        |
| <b>DISTRICT REVENUES:</b>                                      |                     |                    |                       |
| Exempt District Revenues                                       | \$ 15,532,332       | \$ 16,056,039      | \$ 14,496,192         |
| Nonexempt District Revenues                                    | 9,424,764           | 8,567,941          | 9,102,354             |
| <b>TOTAL DISTRICT REVENUES</b>                                 | <b>24,957,096</b>   | <b>24,623,980</b>  | <b>23,598,546</b>     |
| Percent Change In Nonexempt District Revenues                  | 10.0%               | -5.9%              | -9.0%                 |
| <b>DISTRICT EXPENDITURES:</b>                                  |                     |                    |                       |
| Exempt District Expenditures                                   | 15,532,332          | 16,056,039         | 14,496,192            |
| Nonexempt District Expenditures                                | 9,330,892           | 8,638,571          | 10,168,409            |
| <b>TOTAL DISTRICT EXPENDITURES</b>                             | <b>24,863,224</b>   | <b>24,694,610</b>  | <b>24,664,601</b>     |
| Percent Change In Nonexempt District Expenditures              | 8.0%                | -15.0%             | 6.7%                  |
| <b>TOTAL DISTRICT RESERVE/FUND BALANCE INCREASE (DECREASE)</b> | <b>\$ (676,291)</b> | <b>\$ (70,630)</b> | <b>\$ (1,066,055)</b> |
| <b>FISCAL YEAR SPENDING LIMIT</b>                              |                     |                    |                       |
| Prior Fiscal Year Spending Limitation                          | \$ 8,567,941        | \$ 9,102,354       | \$ 8,829,131          |
| Adjustments To Prior Year Limit <sup>2</sup>                   | (15,963)            | (422,016)          | (10,365)              |
| <b>ADJUSTED PRIOR YEAR FISCAL SPENDING LIMITATION</b>          | <b>8,551,978</b>    | <b>8,680,338</b>   | <b>8,818,766</b>      |
| Allowable Growth Rate (Population Plus Inflation)              | 1.2%                | 5.8%               | 4.1%                  |
| Current Fiscal Year Spending Limitation                        | 8,654,602           | 9,183,797          | 9,180,336             |
| Adjustments To Current Year Limit                              | -                   | -                  | 23,505                |
| <b>ADJUSTED CURRENT YEAR FISCAL SPENDING LIMITATION</b>        | <b>8,654,602</b>    | <b>9,183,797</b>   | <b>9,203,841</b>      |
| <b>EXCESS STATE REVENUE CAP (ESRC)<sup>3</sup></b>             | <b>10,684,856</b>   |                    |                       |
| <b>NONEXEMPT DISTRICT REVENUES</b>                             | <b>9,424,764</b>    | <b>8,567,941</b>   | <b>9,102,354</b>      |
| Amount Over(Under) Adjusted Fiscal Year Spending Limitation    | 770,162             | (615,856)          | (101,488)             |
| Amount Over(Under) Excess State Revenue Cap                    | (1,260,092)         |                    |                       |
| Correction Of Prior Years' Refunds                             | -                   | -                  | -                     |
| Voter Approved or Statutory Retention of Excess Revenue        | -                   | -                  | -                     |
| <b>FISCAL YEAR REFUND</b>                                      | <b>\$ -</b>         | <b>\$ -</b>        | <b>\$ -</b>           |

<sup>1</sup> – 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.

<sup>2</sup> – Large adjustments to the prior year limit are primarily related to activities qualifying as TABOR enterprises, after which the activity's revenues and expenditures are no longer shown in the district amounts.

<sup>3</sup> – Beginning in Fiscal Year 2010-11, with the expiration of the Referendum C retention period, Fiscal Year Refunds are based on the Excess State Revenue Cap rather than the Fiscal Year Spending Limit.

| 2007-08       | 2006-07       | 2005-06       | Restated<br>2004-05 | 2003-04       | 2002-03       | 2001-02                 | Restated<br>2000-01 |
|---------------|---------------|---------------|---------------------|---------------|---------------|-------------------------|---------------------|
| \$ 12,126,729 | \$ 11,759,914 | \$ 10,899,936 | \$ 11,015,958       | \$ 11,650,100 | \$ 12,059,372 | \$ 11,702,980           | \$ 8,213,400        |
| 9,998,559     | 9,641,867     | 9,161,391     | 8,482,963           | 8,331,991     | 7,712,512     | 7,752,211               | 8,877,105           |
| 22,125,288    | 21,401,781    | 20,061,327    | 19,498,921          | 19,982,091    | 19,771,884    | 19,455,191              | 17,090,505          |
| 3.7%          | 5.2%          | 8.0%          | 1.8%                | 8.0%          | -0.5%         | -12.7%                  | 4.4%                |
| 12,126,729    | 11,759,914    | 10,899,936    | 11,015,958          | 11,650,100    | 12,059,372    | 11,702,980 <sup>1</sup> | 8,213,399           |
| 9,533,890     | 8,847,334     | 8,029,686     | 9,473,642           | 7,799,832     | 8,198,724     | 7,729,239               | 6,945,742           |
| 21,660,619    | 20,607,248    | 18,929,622    | 20,489,600          | 19,449,932    | 20,258,096    | 19,432,219              | 15,159,141          |
| 7.8%          | 10.2%         | -15.2%        | 21.5%               | -4.9%         | 6.1%          | 11.3%                   | 7.3%                |
| \$ 464,670    | \$ 794,533    | \$ 1,131,705  | \$ (990,679)        | \$ 532,159    | \$ (486,212)  | \$ 22,972               | \$ 1,931,364        |
| \$ 8,333,827  | \$ 8,045,256  | \$ 8,314,374  | \$ 8,331,991        | \$ 7,712,512  | \$ 7,752,211  | \$ 7,948,550            | \$ 7,563,710        |
| (1,054)       | (173)         | (372,471)     | (383,103)           | (31,732)      | (12,865)      | (53,497)                | -                   |
| 8,332,773     | 8,045,083     | 7,941,903     | 7,948,888           | 7,680,780     | 7,739,346     | 7,895,053               | 7,563,710           |
| 5.5%          | 3.5%          | 1.3%          | 2.2%                | 3.6%          | 6.9%          | 4.0%                    | 5.1%                |
| 8,791,075     | 8,326,662     | 8,045,148     | 8,123,764           | 7,957,288     | 8,273,361     | 8,210,855               | 7,949,459           |
| 38,056        | 7,165         | 109           | 190,610             | 374,703       | 23,426        | (84,666)                | (909)               |
| 8,829,131     | 8,333,827     | 8,045,257     | 8,314,374           | 8,331,991     | 8,296,787     | 8,126,189               | 7,948,550           |
| 9,998,559     | 9,641,867     | 9,161,391     | 8,482,963           | 8,331,991     | 7,712,512     | 7,752,211               | 8,877,105           |
| 1,169,428     | 1,308,040     | 1,116,134     | 168,589             | -             | (584,275)     | (373,978)               | 928,555             |
| -             | -             | -             | 284                 | -             | -             | 8,284                   | (1,354)             |
| 1,169,428     | 1,308,040     | 1,116,134     | 127,810             | -             | -             | -                       | -                   |
| \$ -          | \$ -          | \$ -          | \$ 41,063           | \$ -          | \$ -          | \$ -                    | \$ 927,201          |

**INDIVIDUAL INCOME TAX RETURNS<sup>1</sup>****BY ADJUSTED GROSS INCOME CLASS****1999 to 2008**

(NUMBER OF RETURNS, PERCENT OF NET INCOME TAX REVENUE)

|                             | 2008 <sup>2</sup>   |                    | 2007                |                    | 2006                |                    | 2005                |                    | 2004                |                    |
|-----------------------------|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|
|                             | # of<br>Tax Returns | % of<br>Income Tax | # of<br>Tax Returns | % of<br>Income Tax | # of<br>Tax Returns | % of<br>Income Tax | # of<br>Tax Returns | % of<br>Income Tax | # of<br>Tax Returns | % of<br>Income Tax |
| ADJUSTED GROSS INCOME CLASS |                     |                    |                     |                    |                     |                    |                     |                    |                     |                    |
| Negative Income             | 23,480              | 0.0%               | 24,376              | 0.0%               | 23,376              | 0.0%               | 23,916              | 0.0%               | 24,570              | 0.0%               |
| \$0 to \$5,000              | 76,617              | 0.0%               | 81,028              | 0.0%               | 72,400              | 0.0%               | 76,547              | 0.0%               | 73,929              | 0.0%               |
| \$5,001 to \$10,000         | 112,812             | 0.0%               | 109,819             | 0.0%               | 108,412             | 0.0%               | 112,703             | 0.0%               | 112,776             | 0.0%               |
| \$10,001 to \$15,000        | 130,686             | 0.3%               | 125,816             | 0.2%               | 127,061             | 0.3%               | 128,661             | 0.3%               | 129,339             | 0.4%               |
| \$15,001 to \$20,000        | 139,486             | 0.8%               | 134,806             | 0.6%               | 134,933             | 0.8%               | 134,643             | 0.8%               | 134,988             | 1.0%               |
| \$20,001 to \$25,000        | 135,930             | 1.3%               | 131,969             | 0.6%               | 130,926             | 1.3%               | 130,647             | 1.4%               | 131,424             | 1.6%               |
| \$25,001 to \$35,000        | 248,979             | 4.1%               | 243,919             | 3.3%               | 240,034             | 3.8%               | 236,285             | 4.1%               | 236,162             | 4.7%               |
| \$35,001 to \$50,000        | 285,209             | 7.8%               | 278,843             | 6.3%               | 272,040             | 7.2%               | 267,939             | 7.6%               | 266,625             | 8.6%               |
| \$50,001 to \$75,000        | 318,161             | 14.0%              | 313,367             | 11.4%              | 302,778             | 12.9%              | 295,028             | 13.6%              | 289,548             | 15.1%              |
| \$75,001 to \$100,000       | 202,834             | 13.9%              | 200,847             | 11.4%              | 189,359             | 12.5%              | 179,635             | 13.0%              | 171,170             | 14.0%              |
| \$100,000 and Over          | 317,476             | 57.8%              | 330,337             | 65.7%              | 290,548             | 61.2%              | 256,424             | 59.2%              | 227,936             | 54.6%              |
| TOTAL                       | 1,991,670           | 100.0%             | 1,975,127           | 100.0%             | 1,891,867           | 100.0%             | 1,842,428           | 100.0%             | 1,798,467           | 100.0%             |

Source: Colorado Department of Revenue

<sup>1</sup> – Returns and taxes generated by taxpayers claimed as dependents are excluded from this data.<sup>2</sup> – Distribution analysis is done after the end of the late filing period and this is the most current data available from the Department of Revenue.**SALES TAX RETURNS****BY INDUSTRY CLASS****2003 to 2010<sup>1</sup>**

(NUMBER OF RETURNS, PERCENT OF NET SALES TAX REVENUE)

|  | 2010                |                   | 2009                |                   | 2008                |                   | 2007                |                   |
|--|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|
|  | # of<br>Tax Returns | % of<br>Sales Tax | # of<br>Tax Returns | % of<br>Sales Tax | # of<br>Tax Returns | % of<br>Sales Tax | # of<br>Tax Returns | % of<br>Sales Tax |
| INDUSTRY CLASS                                   |                     |                   |                     |                   |                     |                   |                     |                   |
| Agriculture, Forestry, & Fisheries               | 3,787               | 0.1%              | 3,595               | 0.1%              | 3,653               | 0.1%              | 3,632               | 0.1%              |
| Mining   | 5,543               | 1.4%              | 5,324               | 1.9%              | 4,491               | 1.9%              | 4,104               | 1.7%              |
| Public Utilities                                 | 10,177              | 3.6%              | 9,721               | 3.5%              | 9,517               | 3.9%              | 8,725               | 3.0%              |
| Construction Trades                              | 33,065              | 1.1%              | 31,811              | 1.3%              | 31,949              | 1.5%              | 30,929              | 1.5%              |
| Manufacturing                                    | 96,062              | 4.2%              | 88,504              | 4.7%              | 84,393              | 4.8%              | 87,475              | 4.9%              |
| Wholesale Trade                                  | 72,331              | 5.7%              | 72,914              | 6.6%              | 72,432              | 6.7%              | 74,498              | 6.7%              |
| Retail Trade                                     | 385,914             | 51.8%             | 385,320             | 49.5%             | 395,100             | 49.9%             | 399,395             | 51.5%             |
| Transportation & Warehousing                     | 3,831               | 0.2%              | 3,916               | 0.3%              | 4,014               | 0.3%              | 4,733               | 0.3%              |
| Information Producers/Distributors               | 167,660             | 6.3%              | 171,984             | 6.3%              | 174,348             | 5.9%              | 170,488             | 5.8%              |
| Finance & Insurance                              | 35,443              | 1.4%              | 35,103              | 1.4%              | 33,499              | 1.5%              | 34,308              | 1.2%              |
| Real Estate, Rental, & Leasing Services          | 84,376              | 3.4%              | 82,509              | 3.7%              | 79,541              | 3.8%              | 71,969              | 3.8%              |
| Professional, Scientific, & Technical Services   | 64,231              | 1.5%              | 64,002              | 1.6%              | 65,592              | 1.6%              | 66,352              | 1.8%              |
| Bus. Admin., Support, Waste/Remediation Services | 24,102              | 0.6%              | 24,615              | 0.7%              | 23,401              | 0.7%              | 23,014              | 0.7%              |
| Educational Services                             | 5,914               | 0.2%              | 6,068               | 0.2%              | 6,526               | 0.2%              | 5,566               | 0.2%              |
| Health Care & Social Assistance Services         | 16,018              | 0.2%              | 15,572              | 0.2%              | 13,013              | 0.2%              | 12,233              | 0.2%              |
| Arts, Entertainment, & Recreation Services       | 17,230              | 0.6%              | 17,301              | 0.6%              | 17,391              | 0.6%              | 17,196              | 0.6%              |
| Hotel & Other Accommodation Services             | 21,282              | 3.5%              | 21,153              | 3.6%              | 21,221              | 3.6%              | 20,995              | 3.5%              |
| Food & Drinking Services                         | 130,911             | 11.8%             | 129,780             | 11.4%             | 129,123             | 10.5%             | 125,682             | 10.2%             |
| Other Personal Services                          | 86,316              | 2.2%              | 86,861              | 2.3%              | 86,647              | 2.2%              | 85,361              | 2.1%              |
| Government Services                              | 6,290               | 0.2%              | 5,655               | 0.1%              | 6,044               | 0.1%              | 7,445               | 0.2%              |
| TOTAL  | 1,270,483           | 100%              | 1,261,708           | 100%              | 1,261,895           | 100%              | 1,254,100           | 100%              |

Source: Colorado Department of Revenue

<sup>1</sup> – Data is not available in this format prior to calendar year 2003.

| 2003                |                    | 2002                |                    | 2001                |                    | 2000                |                    | 1999                |                    |
|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|
| # of<br>Tax Returns | % of<br>Income Tax | # of<br>Tax Returns | % of<br>Income Tax | # of<br>Tax Returns | % of<br>Income Tax | # of<br>Tax Returns | % of<br>Income Tax | # of<br>Tax Returns | % of<br>Income Tax |
| 24,632              | 0.0%               | 22,477              | 0.0%               | 16,539              | 0.0%               | 13,946              | 0.0%               | 13,043              | 0.0%               |
| 74,854              | 0.0%               | 73,714              | 0.0%               | 75,710              | 0.0%               | 73,929              | 0.0%               | 75,022              | 0.1%               |
| 114,615             | 0.1%               | 115,045             | 0.1%               | 113,237             | 0.1%               | 116,422             | 0.1%               | 122,123             | 0.2%               |
| 132,540             | 0.5%               | 134,152             | 0.5%               | 131,411             | 0.5%               | 134,898             | 0.5%               | 142,185             | 0.8%               |
| 137,195             | 1.1%               | 139,267             | 1.2%               | 139,013             | 1.2%               | 144,220             | 1.2%               | 151,091             | 1.4%               |
| 133,960             | 1.8%               | 136,897             | 1.9%               | 136,429             | 1.9%               | 140,010             | 1.9%               | 143,324             | 2.1%               |
| 239,657             | 5.3%               | 243,253             | 5.6%               | 244,586             | 5.5%               | 243,715             | 5.2%               | 239,847             | 5.6%               |
| 268,253             | 9.6%               | 271,283             | 9.9%               | 269,802             | 9.3%               | 263,657             | 8.7%               | 255,652             | 9.4%               |
| 286,609             | 16.5%              | 291,227             | 17.1%              | 290,662             | 15.9%              | 283,693             | 14.9%              | 270,042             | 16.2%              |
| 163,572             | 14.7%              | 161,047             | 14.7%              | 159,483             | 13.5%              | 150,626             | 12.2%              | 135,419             | 12.6%              |
| 202,886             | 50.4%              | 196,065             | 49.0%              | 203,312             | 52.1%              | 203,040             | 55.3%              | 170,546             | 51.6%              |
| 1,778,773           | 100.0%             | 1,784,427           | 100.0%             | 1,780,184           | 100.0%             | 1,768,156           | 100.0%             | 1,718,294           | 100.0%             |

### COLORADO TAX RATES<sup>1</sup> 2002 to 2011

| Income<br>Tax Rate | Sales<br>Tax Rate |
|--------------------|-------------------|
| 4.63%              | 2.90%             |

Source: Colorado Department of Revenue

<sup>1</sup> – Tax rates can be lowered by the General Assembly, but cannot be raised without a vote of the people. Tax rates have remained unchanged since 2001, when Sales Tax was reduced from 3.0 percent to 2.9 percent.

| 2006                |                   | 2005                |                   | 2004                |                   | 2003                |                   |
|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|
| # of<br>Tax Returns | % of<br>Sales Tax | # of<br>Tax Returns | % of<br>Sales Tax | # of<br>Tax Returns | % of<br>Sales Tax | # of<br>Tax Returns | % of<br>Sales Tax |
| 3,808               | 0.1%              | 3,529               | 0.1%              | 3,268               | 0.1%              | 2,756               | 0.1%              |
| 3,775               | 1.4%              | 3,617               | 1.0%              | 2,673               | 0.8%              | 2,481               | 0.6%              |
| 7,904               | 3.1%              | 7,419               | 2.8%              | 6,210               | 2.6%              | 6,497               | 2.4%              |
| 32,291              | 1.6%              | 30,741              | 1.6%              | 29,916              | 1.4%              | 28,342              | 1.6%              |
| 85,822              | 4.8%              | 75,927              | 4.4%              | 73,996              | 4.1%              | 68,682              | 3.8%              |
| 78,156              | 6.8%              | 78,351              | 6.6%              | 77,908              | 6.0%              | 66,412              | 5.7%              |
| 409,029             | 52.2%             | 392,892             | 53.5%             | 388,011             | 54.4%             | 371,658             | 54.7%             |
| 5,346               | 0.4%              | 5,583               | 0.3%              | 4,878               | 0.3%              | 4,125               | 0.2%              |
| 163,953             | 5.8%              | 149,711             | 5.9%              | 144,908             | 6.3%              | 127,785             | 6.5%              |
| 37,478              | 1.0%              | 35,960              | 1.0%              | 33,723              | 1.0%              | 33,680              | 1.1%              |
| 72,110              | 3.7%              | 71,331              | 3.6%              | 70,647              | 3.7%              | 64,212              | 3.6%              |
| 71,590              | 1.8%              | 74,471              | 2.0%              | 89,310              | 2.4%              | 105,807             | 2.9%              |
| 23,497              | 0.6%              | 21,979              | 0.7%              | 20,707              | 0.6%              | 19,070              | 0.6%              |
| 5,136               | 0.2%              | 4,767               | 0.2%              | 4,263               | 0.2%              | 3,747               | 0.1%              |
| 12,290              | 0.2%              | 11,142              | 0.2%              | 10,092              | 0.2%              | 8,685               | 0.1%              |
| 16,957              | 0.6%              | 14,965              | 0.6%              | 13,440              | 0.6%              | 11,587              | 0.6%              |
| 20,717              | 3.3%              | 20,176              | 3.1%              | 19,959              | 3.1%              | 20,087              | 3.2%              |
| 121,234             | 10.0%             | 116,291             | 10.0%             | 110,799             | 9.9%              | 105,168             | 9.8%              |
| 85,499              | 2.1%              | 83,498              | 2.2%              | 79,398              | 2.1%              | 72,999              | 2.2%              |
| 10,479              | 0.3%              | 9,938               | 0.2%              | 7,967               | 0.2%              | 8,390               | 0.2%              |
| 1,267,071           | 100%              | 1,212,288           | 100%              | 1,192,073           | 100%              | 1,132,170           | 100%              |

**DEBT SERVICE EXPENDITURES**  
**ALL GOVERNMENTAL FUND TYPES**  
**Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

|   | 2010-11    | 2009-10    | RESTATED<br>2008-09 | 2007-08    |
|---|------------|------------|---------------------|------------|
| DEBT SERVICE EXPENDITURES:  |            |            |                     |            |
| Principal   | \$ 124,993 | \$ 116,083 | \$ 109,801          | \$ 104,924 |
| Interest  | 82,829     | 77,919     | 78,719              | 102,652    |
| TOTAL DEBT SERVICE EXPENDITURES   | \$ 207,822 | \$ 194,002 | \$ 188,520          | \$ 207,576 |
| Percent Change Over Previous Year   | 7.1%       | 2.9%       | -9.2%               | -2.5%      |
| TOTAL NONCAPITAL EXPENDITURES <sup>1</sup>                                | 16,654,138 | 16,566,769 | 15,448,232          | 14,196,496 |
| TOTAL CAPITAL EXPENDITURES <sup>1</sup>                                   | 631,546    | 478,179    | 359,518             | 242,572    |
| TOTAL GOVERNMENTAL EXPENDITURES   | 17,285,684 | 17,044,948 | 15,807,750          | 14,439,068 |
| DEBT SERVICE EXPENDITURES AS PERCENT OF<br>TOTAL NONCAPITAL EXPENDITURES: |            |            |                     |            |
| Principal   | 0.7%       | 0.7%       | 0.7%                | 0.7%       |
| Interest  | 0.5%       | 0.5%       | 0.5%                | 0.7%       |
| Total Debt Service Expenditures   | 1.2%       | 1.2%       | 1.2%                | 1.4%       |

<sup>1</sup> – For fiscal years prior to 2002-03 capitalizable expenditures for infrastructure are not individually identifiable and are therefore included in Noncapital Expenditures.

**TOTAL OUTSTANDING DEBT<sup>1 2</sup>****PRIMARY GOVERNMENT****Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

|   | 2010-11      | 2009-10             | 2008-09      | 2007-08      |
|---|--------------|---------------------|--------------|--------------|
| Governmental Activities:                                |              |                     |              |              |
| Revenue Backed Debt                                     | \$ 869,282   | \$ 992,436          | \$ 1,106,973 | \$ 1,216,006 |
| Certificates of Participation                           | 897,632      | 689,973             | 162,053      | 172,864      |
| Capital Leases  | 107,588      | 97,130              | 91,813       | 60,031       |
| Notes and Mortgages                                     | -            | 515,000             | 515,000      | 460,000      |
| TOTAL GOVERNMENTAL OUTSTANDING DEBT                     | 1,874,502    | 2,294,539           | 1,875,839    | 1,908,901    |
| Business-Type Activities:                               |              |                     |              |              |
| Revenue Backed Debt                                     | 2,762,166    | 2,306,693           | 3,551,588    | 3,325,690    |
| Certificates of Participation                           | 430,537      | 432,698             | 446,656      | 210,150      |
| Capital Leases  | 48,416       | 83,374              | 93,773       | 93,374       |
| Notes and Mortgages                                     | 3,503        | 43,925              | 4,771        | 6,211        |
| TOTAL BUSINESS-TYPE OUTSTANDING DEBT                    | 3,244,622    | 2,866,690           | 4,096,788    | 3,635,425    |
| Total Primary Government:                               |              |                     |              |              |
| Revenue Backed Debt                                     | 3,631,448    | 3,299,129           | 4,658,561    | 4,541,696    |
| Certificates of Participation                           | 1,328,169    | 1,122,671           | 608,709      | 383,014      |
| Capital Leases  | 156,004      | 180,504             | 185,586      | 153,405      |
| Notes and Mortgages                                     | 3,503        | 558,925             | 519,771      | 466,211      |
| TOTAL OUTSTANDING DEBT <sup>1</sup>                     | \$ 5,119,124 | \$ 5,161,229        | \$ 5,972,627 | \$ 5,544,326 |
| Percent Change Over Previous Year                       | -0.8%        | -13.6% <sup>3</sup> | 7.7%         | 8.5%         |
| Colorado Population (In Thousands) Restated for Census  | 4,874        | 5,049               | 4,972        | 4,890        |
| Per Capita Debt (Dollars Per Person) Restated for Censu | \$1,050      | \$1,022             | \$1,201      | \$1,134      |
| Per Capita Income (Thousands Per Person)                | \$46.0       | \$42.2              | \$41.3       | \$44.2       |
| Per Capita Debt as a Percent of Per Capita Income       | 2.3%         | 2.4%                | 2.9%         | 2.6%         |

<sup>1</sup> – General Obligation Debt is prohibited by the State Constitution except to fund buildings for State use, to defend the State or the U.S. (in time of war), or to provide for unforeseen revenue deficiencies.

<sup>2</sup> – Colorado State Constitution requires multiple year obligations to be approved by voters; therefore, there is no specific legal debt limitation.



| RESTATED<br>2006-07 | RESTATED<br>2005-06 | RESTATED<br>2004-05 | RESTATED<br>2003-04 | RESTATED<br>2002-03 | 2001-02    |
|---------------------|---------------------|---------------------|---------------------|---------------------|------------|
| \$ 100,681          | \$ 97,583           | \$ 15,574           | \$ 11,932           | \$ 16,581           | \$ 9,245   |
| 112,145             | 106,322             | 98,829              | 80,281              | 82,116              | 76,096     |
| \$ 212,826          | \$ 203,905          | \$ 114,403          | \$ 92,213           | \$ 98,697           | \$ 85,341  |
| 4.4%                | 78.2%               | 24.1%               | -6.6%               | 15.7%               | 58.5%      |
| 13,365,782          | 12,586,379          | 11,298,334          | 10,664,540          | 10,541,507          | 10,212,475 |
| 233,914             | 228,077             | 244,178             | 488,140             | 409,971             | 275,873    |
| 13,599,696          | 12,814,456          | 11,542,512          | 11,152,680          | 10,951,478          | 10,488,348 |
| 0.8%                | 0.8%                | 0.1%                | 0.1%                | 0.2%                | 0.1%       |
| 0.8%                | 0.8%                | 0.9%                | 0.8%                | 0.7%                | 0.7%       |
| 1.6%                | 1.6%                | 1.0%                | 0.9%                | 0.9%                | 0.8%       |

| 2006-07      | 2005-06      | 2004-05      | 2003-04      | 2002-03      | 2001-02      |
|--------------|--------------|--------------|--------------|--------------|--------------|
| \$ 1,319,718 | \$ 1,418,446 | \$ 1,512,987 | \$ 1,518,564 | \$ 1,273,146 | \$ 1,293,196 |
| 183,203      | 196,475      | 63,332       | 44,244       | 57,132       | 54,406       |
| 30,456       | 17,482       | 22,308       | 16,040       | 8,546        | 3,473        |
| 345,000      | 415,000      | 520,000      | 397,023      | -            | -            |
| 1,878,377    | 2,047,403    | 2,118,627    | 1,975,871    | 1,338,824    | 1,351,075    |
| 2,935,383    | 2,304,485    | 2,063,378    | 1,578,903    | 1,553,595    | 1,240,946    |
| 218,916      | 260,578      | 75,729       | 73,724       | 46,811       | 54,545       |
| 68,621       | 60,724       | 90,140       | 86,531       | 85,919       | 47,222       |
| 9,463        | 6,946        | 9,402        | 6,262        | 6,602        | 1,444        |
| 3,232,383    | 2,632,733    | 2,238,649    | 1,745,420    | 1,692,927    | 1,344,157    |
| 4,255,101    | 3,722,931    | 3,576,365    | 3,097,467    | 2,826,741    | 2,534,142    |
| 402,119      | 457,053      | 139,061      | 117,968      | 103,943      | 108,951      |
| 99,077       | 78,206       | 112,448      | 102,571      | 94,465       | 50,695       |
| 354,463      | 421,946      | 529,402      | 403,285      | 6,602        | 1,444        |
| \$ 5,110,760 | \$ 4,680,136 | \$ 4,357,276 | \$ 3,721,291 | \$ 3,031,751 | \$ 2,695,232 |
| 9.2%         | 7.4%         | 17.1%        | 22.7%        | 12.5%        | 20.7%        |
| 4,804        | 4,720        | 4,632        | 4,575        | 4,529        | 4,490        |
| \$1,064      | \$992        | \$941        | \$813        | \$669        | \$600        |
| \$42.7       | \$41.2       | \$38.8       | \$36.9       | \$35.3       | \$35.1       |
| 2.5%         | 2.4%         | 2.4%         | 2.2%         | 1.9%         | 1.7%         |

3 – Decline was related to the CollegeInvest sale and retirement of bonds previously issued to support purchase and origination of student loans.

REVENUE BOND COVERAGE<sup>1</sup>

## Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

| Fiscal Year  | Gross Revenue | Direct Operating Expense | Net Revenue Available For Debt Service | Debt Service Requirements |            |            | Coverage |
|--|---------------|--------------------------|--|---------------------------|------------|------------|----------|
|  |               |                          |  | Principal                 | Interest   | Total      |          |
| <b>Governmental Funds: Transportation Revenue Anticipation Notes (TRANS)</b>                   |               |                          |  |                           |            |            |          |
| 2010-11  | \$ 1,162,586  | \$ 994,596               | \$ 167,990                             | \$ 119,385                | \$ 48,605  | \$ 167,990 | 1.00     |
| 2009-10  | 1,104,185     | 936,194                  | 167,991                                | 113,300                   | 54,691     | 167,991    | 1.00     |
| 2008-09  | 980,992       | 813,000                  | 167,992                                | 107,795                   | 60,197     | 167,992    | 1.00     |
| 2007-08  | 167,989       | -                        | 167,989                                | 102,475                   | 65,514     | 167,989    | 1.00     |
| 2006-07  | 167,982       | -                        | 167,982                                | 97,490                    | 70,492     | 167,982    | 1.00     |
| 2005-06  | 167,991       | -                        | 167,991                                | 92,835                    | 75,156     | 167,991    | 1.00     |
| 2004-05  | 84,787        | -                        | 84,787                                 | 5,870                     | 78,917     | 84,787     | 1.00     |
| 2003-04  | 72,875        | -                        | 72,875                                 | 3,250                     | 69,625     | 72,875     | 1.00     |
| 2002-03  | 71,141        | -                        | 71,141                                 | 10,005                    | 61,136     | 71,141     | 1.00     |
| 2001-02  | 66,813        | -                        | 66,813                                 | 5,070                     | 61,743     | 66,813     | 1.00     |
| <b>Enterprise Funds (Excluding Higher Education): State Fair and CollegeInvest<sup>2</sup></b> |               |                          |  |                           |            |            |          |
| 2008-09  | \$ 200,753    | \$ 34,107                | \$ 166,646                             | \$ 24,000                 | \$ 17,126  | \$ 41,126  | 4.05     |
| 2007-08  | 351,308       | 126,788                  | 224,520                                | 155                       | 41,492     | 41,647     | 5.39     |
| 2006-07  | 402,013       | 101,632                  | 300,381                                | 16,155                    | 76,077     | 92,232     | 3.26     |
| 2005-06  | 106,230       | 79,489                   | 26,741                                 | 39,747                    | 53,783     | 93,530     | 0.29     |
| 2004-05  | 71,365        | 55,119                   | 16,246                                 | 44,077                    | 33,182     | 77,259     | 0.21     |
| 2003-04  | 221,271       | 39,812                   | 181,459                                | 39,012                    | 14,924     | 53,936     | 3.36     |
| 2002-03  | 204,866       | 42,252                   | 162,614                                | 29,142                    | 15,564     | 44,706     | 3.64     |
| 2001-02  | 180,471       | 46,063                   | 134,408                                | 24,834                    | 19,845     | 44,679     | 3.01     |
| <b>Higher Education Institutions</b>   |               |                          |  |                           |            |            |          |
| 2010-11  | \$ 1,025,079  | \$ 487,781               | \$ 537,298                             | \$ 64,345                 | \$ 110,488 | \$ 174,833 | 3.07     |
| 2009-10  | 947,626       | 477,126                  | 470,499                                | 46,650                    | 85,723     | 132,373    | 3.55     |
| 2008-09  | 846,389       | 450,057                  | 396,332                                | 40,965                    | 69,195     | 110,160    | 3.60     |
| 2007-08  | 793,013       | 420,908                  | 372,105                                | 36,940                    | 58,466     | 95,406     | 3.90     |
| 2006-07  | 687,200       | 391,433                  | 295,767                                | 34,145                    | 48,073     | 82,218     | 3.60     |
| 2005-06  | 649,238       | 376,431                  | 272,807                                | 29,365                    | 45,699     | 75,064     | 3.63     |
| 2004-05  | 623,247       | 354,669                  | 268,578                                | 28,375                    | 30,028     | 58,403     | 4.60     |
| 2003-04  | 555,602       | 329,204                  | 226,398                                | 24,390                    | 29,533     | 53,923     | 4.20     |
| 2002-03  | 522,448       | 332,697                  | 189,751                                | 20,665                    | 24,550     | 45,215     | 4.20     |
| 2001-02  | 508,615       | 311,778                  | 196,837                                | 17,390                    | 18,876     | 36,266     | 5.43     |

<sup>1</sup> – Pledged revenues supporting the Governmental Funds TRANS include primarily federal grants under agreement with the Federal Highway Administration (FHWA). Before Fiscal Year 2009-10, pledged revenue also included a portion of sales and use tax revenues of the General Fund diverted to the Highway Users Tax Fund and the Highway Users Tax Fund revenues. Pledged revenues supporting the Enterprise Funds' borrowings, excluding Higher Education, were primarily student loan repayment amounts at CollegeInvest, which were used to make the required debt service payments. CollegeInvest's loan portfolio was sold in Fiscal Year 2009-10 and related bonds were sold or redeemed. Pledged revenues supporting Higher Education Institutions' borrowings are primarily auxiliary fees related to student housing and tuition.

<sup>2</sup> – At the close of Fiscal Year 2009-10, neither CollegeInvest nor State Fair had any outstanding revenue bonds requiring pledged revenues amount to be reported.

**COLORADO DEMOGRAPHIC DATA  
2002 to 2011**

| Year     | Population<br>(000) | Percentage<br>Share of U.S.<br>Population | Total<br>Personal<br>Income<br>(Billions) | Per Capita<br>Personal<br>Income<br>(Dollars) | % of U.S.<br>Per Capita<br>Income | Employ-<br>ment<br>(000) | Unemploy-<br>ment % |
|----------|---------------------|---|---|---|-----------------------------------|--------------------------|---------------------|
| 2011 est | 4,874               | 1.56%                                     | \$ 224.3                                  | \$ 46,020                                     | 110.5%                            | *                        | 8.8%                |
| 2010     | 5,049               | 1.63                                      | 213.2                                     | 42,226  | 105.7                             | 2,448                    | 8.9                 |
| 2009     | 4,972               | 1.62                                      | 205.4                                     | 41,311  | 107.3                             | 2,502                    | 8.3                 |
| 2008     | 4,890               | 1.61                                      | 216.0                                     | 44,172  | 107.9                             | 2,606                    | 4.8                 |
| 2007     | 4,804               | 1.59                                      | 205.2                                     | 42,714  | 108.1                             | 2,598                    | 3.7                 |
| 2006     | 4,720               | 1.58                                      | 194.4                                     | 41,186  | 109.2                             | 2,542                    | 4.3                 |
| 2005     | 4,632               | 1.57                                      | 179.7                                     | 38,795  | 109.4                             | 2,456                    | 5.1                 |
| 2004     | 4,575               | 1.56                                      | 168.6                                     | 36,852  | 108.7                             | 2,393                    | 5.6                 |
| 2003     | 4,529               | 1.56                                      | 159.9                                     | 35,306  | 109.3                             | 2,340                    | 6.1                 |
| 2002     | 4,490               | 1.56                                      | 157.8                                     | 35,145  | 111.6                             | 2,304                    | 5.7                 |

Source: U.S. Department of Commerce, Bureau of Economic Analysis, U.S. Census Bureau, and Colorado Department of Labor and Employment

\* – Data is not available.

**COLORADO EMPLOYMENT<sup>1</sup>  
BY INDUSTRY  
2002 to 2011  
(AMOUNTS IN THOUSANDS)**

| Industry <sup>2</sup>                   | 2011 est       | 2010 est       | 2009           | 2008           | 2007           | 2006           | 2005           | 2004           | 2003           | 2002           |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Natural Resources and<br>Mining         | 26.0           | 24.0           | 24.2           | 28.5           | 25.2           | 21.1           | 17.2           | 14.4           | 13.2           | 12.9           |
| Construction                            | 106.5          | 113.5          | 131.3          | 161.8          | 167.8          | 167.8          | 160.0          | 151.3          | 149.9          | 160.4          |
| Manufacturing                           | 123.9          | 124.5          | 129.6          | 144.1          | 147.0          | 149.1          | 150.4          | 151.8          | 153.9          | 163.8          |
| Transportation,<br>Trade, and Utilities | 400.0          | 396.5          | 403.8          | 429.3          | 429.2          | 419.3          | 413.0          | 406.6          | 404.5          | 412.1          |
| Information                             | 69.9           | 71.3           | 74.7           | 76.8           | 76.4           | 75.4           | 76.9           | 81.2           | 84.6           | 92.9           |
| Financial Activities                    | 144.7          | 144.0          | 148.0          | 155.6          | 159.5          | 160.4          | 158.5          | 154.6          | 154.1          | 149.5          |
| Professional and<br>Business Services   | 335.1          | 328.1          | 330.2          | 351.9          | 347.9          | 331.8          | 316.8          | 304.1          | 292.0          | 296.2          |
| Educational and<br>Health Services      | 267.8          | 264.5          | 257.2          | 250.5          | 240.4          | 231.2          | 224.6          | 218.5          | 213.0          | 208.5          |
| Leisure and<br>Hospitality              | 262.6          | 259.6          | 262.4          | 272.9          | 270.4          | 264.9          | 257.5          | 251.3          | 245.6          | 247.0          |
| Other Services                          | 93.8           | 92.4           | 93.7           | 94.8           | 92.9           | 90.8           | 88.5           | 87.4           | 85.9           | 85.6           |
| Government                              | 390.7          | 392.5          | 390.5          | 384.1          | 374.7          | 367.2          | 362.6          | 358.5          | 356.2          | 355.4          |
| <b>Total</b>                            | <b>2,221.0</b> | <b>2,210.9</b> | <b>2,245.6</b> | <b>2,350.3</b> | <b>2,331.4</b> | <b>2,279.0</b> | <b>2,226.0</b> | <b>2,179.7</b> | <b>2,152.9</b> | <b>2,184.3</b> |

Source: Colorado Department of Labor and Employment and the Colorado Business Economic Outlook Committee.

<sup>1</sup> – Provided in lieu of information regarding Colorado's principal employers because employer data could not be obtained.

<sup>2</sup> – Excludes nonagricultural self-employed, unpaid family, and domestic workers.

**VALUE OF TOTAL CONSTRUCTION  
IN COLORADO BY TYPE  
Last Ten Years**

(AMOUNTS IN MILLIONS)

| Year     | Residential | Non-<br>Residential | Non-<br>Building | Total    |
|----------|-------------|---------------------|------------------|----------|
| 2011 est | \$ 2,770    | \$ 2,100            | \$ 1,700         | \$ 6,570 |
| 2010 est | 2,460       | 2,100               | 1,700            | 6,260    |
| 2009     | 2,501       | 3,126               | 1,648            | 7,275    |
| 2008     | 4,042       | 4,117               | 2,542            | 10,701   |
| 2007     | 7,417       | 5,260               | 2,004            | 14,681   |
| 2006     | 8,708       | 4,641               | 3,446            | 16,795   |
| 2005     | 8,803       | 4,221               | 1,788            | 14,812   |
| 2004     | 8,050       | 3,291               | 1,754            | 13,096   |
| 2003     | 6,258       | 2,713               | 1,732            | 10,703   |
| 2002     | 6,357       | 2,787               | 2,162            | 11,306   |

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

**COLORADO SALES AND  
GROSS FARMING REVENUES  
Last Ten Years**

(AMOUNTS IN BILLIONS)

| Year     | Retail<br>Sales | Gross<br>Farm<br>Revenues |
|----------|-----------------|---------------------------|
| 2011 est | \$ 63.8         | \$ 7.03                   |
| 2010 est | 61.1            | 6.92                      |
| 2009     | 58.5            | 6.83                      |
| 2008     | 66.7            | 7.41                      |
| 2007     | 67.3            | 7.41                      |
| 2006     | 61.8            | 6.70                      |
| 2005     | 58.7            | 6.59                      |
| 2004     | 55.8            | 6.34                      |
| 2003     | 52.8            | 5.92                      |
| 2002     | 52.9            | 5.67                      |

Retail sales based on SIC Codes 52-59.

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



**DEMAND DRIVERS OF THE PRIMARY GOVERNMENT<sup>1</sup>**  
**BY FUNCTIONS/PROGRAMS**  
**Last Ten Years<sup>2</sup>**

|   | 2011                 | 2010        | 2009                 | 2008        |
|---|----------------------|-------------|----------------------|-------------|
| GOVERNMENTAL ACTIVITIES:  |                      |             |                      |             |
| General Government:   |                      |             |                      |             |
| Funds   | 616                  | 601         | 593                  | 556         |
| Employees (calculated Average Employment)                         | 66,691               | 65,325      | 64,535               | 61,915      |
| Balance in Treasury Pool (in millions)                            | \$6,076.2            | \$5,902.0   | \$5,663.2            | \$6,159.4   |
| Business, Community, and Consumer Affairs:                        |                      |             |                      |             |
| Professional Licenses at Regulatory Agencies                      | 703,695              | 702,498     | 679,836              | 640,332     |
| Unemployment Rate (percent) <sup>4</sup>                          | 8.8                  | 7.9         | 7.7                  | 4.9         |
| Employment Level <sup>4</sup>                                     | *                    | 2,447,712   | 2,492,540            | 2,596,309   |
| Education:  |                      |             |                      |             |
| Public Schools  | 1,786                | 1,817       | 1,769                | 1,771       |
| Primary School Students   | 843,316              | 832,368     | 818,443              | 802,639     |
| Health and Rehabilitation:  |                      |             |                      |             |
| Average Daily Population of Mental Health Institutes <sup>3</sup> | 511                  | 554         | 569                  | 548         |
| Average Daily Population of Regional Centers <sup>3,5</sup>       | *                    | 329         | 378                  | 403         |
| Justice:  |                      |             |                      |             |
| District Court Cases Filed <sup>3</sup>                           | 190,531              | 188,822     | 191,749              | 199,681     |
| County Court Cases Filed <sup>3</sup>                             | 562,185              | 562,570     | 554,165              | 579,069     |
| Inmate Admissions   | 10,704               | 10,992      | 10,992               | 11,038      |
| Inmate Releases   | 11,033               | 10,803      | 10,803               | 10,565      |
| Average Daily Inmate Population                                   | 22,814               | 22,980      | 23,210               | 22,887      |
| Citations Issued by the State Patrol                              | 125,755 <sup>6</sup> | 170,988     | 170,570              | 221,544     |
| Crashes Covered by the State Patrol                               | 19,028 <sup>6</sup>  | 24,123      | 26,159               | 27,260      |
| Natural Resources:  |                      |             |                      |             |
| Active Oil and Gas Wells <sup>3</sup>                             | 45,500               | 45,000      | 36,000               | 35,000      |
| Oil and Gas Drilling Permits <sup>3</sup>                         | 5,250                | 5,000       | 7,400                | 6,780       |
| Annual State Park Visitors <sup>3</sup>                           | 12,463,495           | 11,666,912  | 13,680,012           | 11,272,418  |
| Water Loans   | 288                  | 278         | 269                  | 258         |
| Social Assistance:  |                      |             |                      |             |
| Medicaid Recipients <sup>3</sup>                                  | 553,407              | 476,632     | 381,390              | 383,784     |
| Average Cash Assistance Payments per Month <sup>3</sup>           | 63,742               | 58,119      | 57,200               | 62,647      |
| Transportation:   |                      |             |                      |             |
| Lane Miles  | *                    | 22,982,320  | 23,060,630           | 23,036,480  |
| Bridges   | *                    | 3,447       | 3,429                | 3,406       |
| BUSINESS-TYPE ACTIVITIES:   |                      |             |                      |             |
| Higher-Education:   |                      |             |                      |             |
| Resident Students <sup>3</sup>                                    | 156,210              | 146,531     | 136,900              | 135,275     |
| Nonresident Students <sup>3</sup>                                 | 12,405               | 24,869      | 23,166               | 22,069      |
| Unemployment Insurance:   |                      |             |                      |             |
| Individuals Served - Employment and Training <sup>3</sup>         | 615,548              | 652,570     | 350,000              | 300,000     |
| Initial Unemployment Claims <sup>3</sup>                          | 389,769              | 408,644     | 120,074              | 119,561     |
| CollegeInvest: <sup>8</sup>                                       |                      |             |                      |             |
| Loans Issued or Purchased   |                      |             | 268,745 <sup>7</sup> | 239,060     |
| Average Balance per Loan  |                      |             | \$6,326 <sup>7</sup> | \$6,328     |
| Lottery:  |                      |             |                      |             |
| Scratch Tickets Sold  | 98,545,733           | 99,657,606  | 104,217,790          | 101,604,127 |
| Lotto Tickets Sold  | 39,257,585           | 41,620,408  | 43,552,521           | 41,071,837  |
| Powerball Tickets Sold  | 70,047,258           | 101,568,085 | 100,733,520          | 109,565,516 |
| Other Lottery Tickets Sold  | 50,464,834           | 26,833,674  | 20,831,732           | 19,148,564  |
| Wildlife:   |                      |             |                      |             |
| Hunting & Fishing Licenses Sold <sup>3</sup>                      | 1,380,000            | 1,630,000   | 2,300,000            | 1,545,659   |
| College Assist:   |                      |             |                      |             |
| Guaranteed Loans - In State                                       | 61,076 <sup>8</sup>  | 107,402     | 115,486              | 140,232     |
| Guaranteed Loans - Out of State                                   | 4,961 <sup>8</sup>   | 41,616      | 47,892               | 18,859      |

Source: JBC Budget in Brief and various State departments.

\* – Data is not available.

<sup>1</sup> – All amounts are counts, except where dollars or percentages are indicated.

<sup>2</sup> – Data is presented by either fiscal year or calendar year based on availability of information.

<sup>3</sup> – Data represents estimates from budgetary documents and is not adjusted to actual.

| 2007        | 2006        | 2005        | 2004        | 2003        | 2002        |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 515         | 492         | 484         | 465         | 444         | 434         |
| 59,873      | 58,468      | 58,046      | 57,643      | 58,239      | 57,974      |
| \$5,250.7   | \$4,615.3   | \$3,951.1   | \$3,174.6   | \$2,241.4   | \$2,068.5   |
| 575,124     | 576,982     | 517,597     | *           | *           | *           |
| 3.8         | 4.3         | 5.1         | 5.6         | 6.1         | 5.7         |
| 2,602,015   | 2,537,037   | 2,436,795   | 2,384,562   | 2,323,554   | 2,304,109   |
| 1,771       | 1,731       | 1,667       | 1,728       | 1,613       | 1,658       |
| 794,026     | 780,708     | 766,657     | 757,021     | 751,862     | 742,145     |
| 528         | 539         | 539         | 570         | 688         | 699         |
| 403         | 403         | 403         | 411         | 400         | 397         |
| 189,884     | 187,498     | *           | *           | 165,467     | 160,245     |
| 552,592     | 547,143     | *           | *           | 461,847     | 457,246     |
| 10,625      | 10,168      | 9,433       | 8,165       | 7,799       | 7,802       |
| 10,110      | 8,954       | 8,249       | 7,504       | 6,977       | 6,554       |
| 22,424      | 21,438      | 20,228      | 19,478      | 18,636      | 17,367      |
| 226,324     | 234,052     | 246,918     | 206,052     | 176,869     | 160,919     |
| 28,277      | 28,648      | 30,645      | 33,635      | 34,133      | 37,102      |
| 34,000      | 30,000      | 25,300      | 24,000      | 23,423      | *           |
| 4,200       | 3,800       | 2,200       | *           | *           | *           |
| 11,475,000  | 11,869,897  | 11,190,201  | 11,565,810  | 11,170,000  | 11,400,000  |
| 255         | 244         | 241         | 227         | 213         | 206         |
| 429,233     | 446,341     | 375,410     | 362,654     | 326,058     | 304,508     |
| 66,728      | 68,822      | 68,150      | 85,339      | *           | *           |
| 22,999,470  | 23,105,769  | 23,029,858  | 23,138,578  | 23,061,021  | 22,851,000  |
| 3,775       | 3,757       | 3,754       | 3,714       | 3,698       | 3,698       |
| 136,108     | 140,601     | 141,692     | 135,392     | 127,632     | 123,383     |
| 20,670      | 21,380      | 22,729      | 22,809      | 22,824      | 22,152      |
| 270,000     | 270,000     | 240,000     | 200,000     | 194,000     | *           |
| 120,290     | 132,337     | 176,270     | 156,594     | 132,657     | *           |
| 218,518     | 200,332     | 189,522     | 174,724     | 168,453     | *           |
| \$6,057     | \$5,546     | \$5,098     | \$4,871     | \$4,486     | *           |
| 99,199,686  | 111,883,645 | 119,441,166 | 114,543,013 | 111,793,347 | 129,775,201 |
| 39,835,761  | 38,332,996  | 38,266,176  | 40,818,461  | 48,272,866  | 57,651,698  |
| 101,570,695 | 119,757,642 | 80,912,792  | 85,041,776  | 75,705,463  | 79,893,821  |
| 17,407,163  | 16,858,542  | 15,052,291  | 14,508,537  | 13,245,564  | 13,222,846  |
| 1,399,978   | 1,409,064   | 1,450,000   | 1,235,551   | 1,525,679   | 1,423,377   |
| 146,616     | *           | *           | *           | *           | *           |
| 5,080       | *           | *           | *           | *           | *           |

4 – Data represents annual averages of monthly estimates from Department of Labor and Employment and is not adjusted to actual.  
5 – Prior to 2009, this represented Regional Center Residential Beds.  
6 – Calendar data through October 24, 2011  
7 – CollegeInvest sold its loan portfolio during Fiscal Year 2009-10 due to a statutory change resulting from a change in the federal program.  
8 – College Assist’s Guaranteed Loans for In-State student decreased due to increased participation by State institutions in the federal direct lending program.

**AVERAGE COUNT OF STATE EMPLOYEES BY FUNCTION  
AND AVERAGE MONTHLY EMPLOYEE SALARY  
Last Ten Fiscal Years**

|  | 2010-11       | 2009-10       | 2008-09       | 2007-08       |
|--|---------------|---------------|---------------|---------------|
| General Government                           | 2,991         | 2,399         | 2,454         | 2,392         |
| Business, Community, and<br>Consumer Affairs | 2,458         | 2,564         | 2,437         | 2,372         |
| Education                                    | 38,038        | 37,093        | 36,042        | 34,469        |
| Health and Rehabilitation                    | 3,965         | 4,019         | 3,944         | 3,865         |
| Justice                                      | 13,093        | 12,848        | 13,000        | 12,467        |
| Natural Resources                            | 1,579         | 1,607         | 1,587         | 1,583         |
| Social Assistance                            | 1,579         | 1,704         | 1,671         | 1,656         |
| Transportation                               | 2,988         | 3,091         | 3,400         | 3,111         |
| <b>TOTAL AVERAGE EMPLOYMENT</b>              | <b>66,691</b> | <b>65,325</b> | <b>64,535</b> | <b>61,915</b> |
| <br>   |               |               |               |               |
| TOTAL CLASSIFIED                             | 32,927        | 32,799        | 32,820        | 31,995        |
| AVERAGE MONTHLY SALARY                       | \$ 4,324      | \$ 4,367      | \$ 4,390      | \$ 4,278      |
| <br>   |               |               |               |               |
| TOTAL NON-CLASSIFIED                         | 33,764        | 32,526        | 31,715        | 29,920        |
| AVERAGE MONTHLY SALARY                       | \$ 5,786      | \$ 5,735      | \$ 5,723      | \$ 5,467      |

Classified employees are those holding positions within the State Personnel System. Non-classified employees are excluded from the State Personnel System and are not subject to the rule-making authority of the State Personnel Director. Non-classified positions are found primarily in the Judicial Branch, the Legislative Branch, the Governor's cabinet and office staff, the Department of Law, the Department of Education, and as administrators and faculty in the Department of Higher Education.



| 2006-07  | 2005-06  | 2004-05  | 2003-04  | 2002-03  | 2001-02  |
|----------|----------|----------|----------|----------|----------|
| 2,322    | 2,255    | 2,219    | 2,180    | 2,300    | 2,422    |
| 2,335    | 2,342    | 2,367    | 2,343    | 2,344    | 2,334    |
| 33,464   | 32,680   | 32,664   | 32,595   | 32,435   | 31,887   |
| 3,774    | 3,729    | 3,681    | 3,717    | 3,803    | 3,766    |
| 11,791   | 11,372   | 11,083   | 10,767   | 11,257   | 11,437   |
| 1,522    | 1,485    | 1,472    | 1,446    | 1,453    | 1,453    |
| 1,593    | 1,520    | 1,462    | 1,482    | 1,567    | 1,610    |
| 3,072    | 3,085    | 3,098    | 3,113    | 3,080    | 3,065    |
| 59,873   | 58,468   | 58,046   | 57,643   | 58,239   | 57,974   |
| 31,075   | 30,677   | 30,967   | 30,770   | 31,857   | 32,092   |
| \$ 4,108 | \$ 4,036 | \$ 3,955 | \$ 3,867 | \$ 3,913 | \$ 3,700 |
| 28,798   | 27,791   | 27,079   | 26,873   | 26,382   | 25,882   |
| \$ 5,214 | \$ 5,066 | \$ 4,926 | \$ 4,759 | \$ 4,788 | \$ 4,563 |

For each State agency, the average salary for full-time employees was divided into the part-time employee payroll amount to determine the average employee count. Average salary was computed as total classified or nonclassified salary divided by related average employee count.

**COLORADO STATE HIGHWAY SYSTEM  
CENTERLINE AND LANE MILES  
2001 TO 2010**

| Mileage Type                         | 2010          | 2009          | 2008          | 2007          | 2006          | 2005          | 2004          | 2003          | 2002          | 2001          |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>CenterLine Miles<sup>1</sup>:</b> |               |               |               |               |               |               |               |               |               |               |
| Urban                                | 1,389         | 1,398         | 1,400         | 1,398         | 1,419         | 1,411         | 1,421         | 1,421         | 1,038         | 1,033         |
| Rural                                | 7,720         | 7,748         | 7,744         | 7,736         | 7,742         | 7,737         | 7,736         | 7,736         | 8,105         | 8,104         |
| <b>TOTAL CENTERLINE MILES</b>        | <b>9,109</b>  | <b>9,146</b>  | <b>9,144</b>  | <b>9,134</b>  | <b>9,161</b>  | <b>9,148</b>  | <b>9,157</b>  | <b>9,157</b>  | <b>9,143</b>  | <b>9,137</b>  |
| Percent Change                       | -0.4%         | 0.0%          | 0.1%          | -0.3%         | 0.1%          | -0.1%         | 0.0%          | 0.2%          | 0.1%          | 0.6%          |
| <b>Lane Miles<sup>2</sup>:</b>       |               |               |               |               |               |               |               |               |               |               |
| Urban                                | 5,327         | 5,352         | 5,238         | 5,232         | 5,322         | 5,247         | 5,262         | 5,236         | 4,058         | 4,031         |
| Rural                                | 17,654        | 17,709        | 17,798        | 17,767        | 17,784        | 17,784        | 17,875        | 17,825        | 18,792        | 18,782        |
| <b>TOTAL LANE MILES</b>              | <b>22,981</b> | <b>23,061</b> | <b>23,036</b> | <b>22,999</b> | <b>23,106</b> | <b>23,031</b> | <b>23,137</b> | <b>23,061</b> | <b>22,850</b> | <b>22,813</b> |
| Percent Change                       | -0.3%         | 0.1%          | 0.2%          | -0.5%         | 0.3%          | -0.5%         | 0.3%          | 0.9%          | 0.2%          | 0.5%          |

Source: Colorado Department of Transportation

<sup>1</sup> – Centerline miles measure roadway miles without accounting for the number of lanes.

<sup>2</sup> – Lane miles measure the total distance of all roadway lanes, and are therefore a better indicator of actual maintenance requirements.

**COLORADO STATE-OWNED BRIDGES  
BY FUNCTIONAL CLASSIFICATION  
2002 to 2010<sup>3</sup>**

| Functional Classification             | 2010         | 2009         | 2008         | 2007         | 2006         | 2005         | 2004         | 2003         | 2002         |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Principal Arterial <sup>1</sup>       | 1,376        | 1,368        | 1,341        | 1,686        | 1,678        | 1,680        | 1,676        | 1,949        | 1,945        |
| Other Principal Arterial <sup>2</sup> | 801          | 794          | 795          | 911          | 884          | 943          | 894          | 321          | 322          |
| Minor Arterial                        | 759          | 761          | 773          | 802          | 798          | 787          | 798          | 818          | 817          |
| Collector                             | 431          | 426          | 404          | 350          | 368          | 319          | 326          | 403          | 405          |
| Local                                 | 80           | 80           | 93           | 26           | 29           | 25           | 20           | 207          | 209          |
| <b>TOTAL BRIDGES</b>                  | <b>3,447</b> | <b>3,429</b> | <b>3,406</b> | <b>3,775</b> | <b>3,757</b> | <b>3,754</b> | <b>3,714</b> | <b>3,698</b> | <b>3,698</b> |
| Percent Change                        | 0.5%         | 0.7%         | -9.8%        | 0.5%         | 0.1%         | 1.1%         | 0.4%         | 0.0%         | NA           |

Source: Colorado Department of Transportation

<sup>1</sup> – Includes interstate, expressways, and freeways.

<sup>2</sup> – Prior to 2004, Other Principal Arterials in rural areas were included in the Principal Arterial category.

<sup>3</sup> – Data is not available in this format prior to calendar year 2002.

**BUILDING SQUARE FOOTAGE  
OWNED BY THE PRIMARY GOVERNMENT  
BY FUNCTIONS/PROGRAMS  
Last Four Years<sup>2</sup>**

|  | 2011              | 2010              | 2009              | 2008              |
|--|-------------------|-------------------|-------------------|-------------------|
| GOVERNMENTAL ACTIVITIES:                               |                   |                   |                   |                   |
| General Government                                     | 3,069,547         | 3,043,068         | 2,549,944         | 2,982,413         |
| Business, Community, and Consumer Affairs <sup>1</sup> | 980,198           | 980,198           | 981,809           | 937,389           |
| Education  | 326,602           | 317,894           | 317,884           | 317,884           |
| Health and Rehabilitation                              | 1,476,587         | 1,489,338         | 1,365,606         | 1,561,507         |
| Justice  | 8,404,174         | 8,398,319         | 8,103,126         | 8,047,872         |
| Natural Resources                                      | 1,729,810         | 1,729,810         | 1,210,477         | 1,672,897         |
| Social Assistance                                      | 1,836,385         | 1,824,175         | 1,700,847         | 1,351,964         |
| Transportation   | 3,207,047         | 3,206,451         | 2,575,421         | 2,575,421         |
| BUSINESS-TYPE ACTIVITIES:                              |                   |                   |                   |                   |
| Higher Education                                       | 47,701,898        | 46,277,915        | 44,026,204        | 41,437,896        |
| Wildlife   | 1,109,004         | 1,109,004         | 1,065,240         | 901,526           |
| <b>TOTAL</b>   | <b>69,841,252</b> | <b>68,376,172</b> | <b>63,896,558</b> | <b>61,786,769</b> |

Source: Colorado Office of the State Architect

<sup>1</sup> – Building information for Unemployment Insurance (a business-type activity) cannot be segregated from the Colorado Department of Labor and Employment which is included in Business, Community, and Consumer Affairs.

<sup>2</sup> – Data not available prior to 2008.

**BUILDING SQUARE FOOTAGE  
LEASED BY THE PRIMARY GOVERNMENT  
BY FUNCTIONS/PROGRAMS  
Last Four Years<sup>2</sup>**

|  | 2011             | 2010             | 2009             | Restated<br>2008 |
|--|------------------|------------------|------------------|------------------|
| GOVERNMENTAL ACTIVITIES:                               |                  |                  |                  |                  |
| General Government                                     | 210,576          | 276,602          | 288,210          | 199,967          |
| Business, Community, and Consumer Affairs <sup>1</sup> | 585,944          | 517,447          | 515,708          | 508,439          |
| Education  | 31,999           | 28,531           | 19,440           | 9,396            |
| Health and Rehabilitation                              | 458,959          | 455,218          | 420,272          | 434,469          |
| Justice  | 463,506          | 857,026          | 868,060          | 850,185          |
| Natural Resources                                      | 81,926           | 65,735           | 73,546           | 49,495           |
| Social Assistance                                      | 56,881           | 55,801           | 34,459           | 28,963           |
| BUSINESS-TYPE ACTIVITIES:                              |                  |                  |                  |                  |
| Higher Education                                       | 1,358,597        | 1,199,672        | 1,243,524        | 1,294,663        |
| CollegeInvest  | 8,544            | 18,983           | 15,318           | 15,318           |
| Lottery  | 66,684           | 59,915           | 61,682           | 61,682           |
| Wildlife   | 73,064           | 73,064           | 15,267           | 75,944           |
| College Assist   | 10,139           | 12,807           | 12,807           | 12,807           |
| <b>TOTAL</b>   | <b>3,406,819</b> | <b>3,620,801</b> | <b>3,568,293</b> | <b>3,541,328</b> |

Source: Colorado Office of the State Architect

<sup>1</sup> – Building information for Unemployment Insurance (a business-type activity) cannot be segregated from the Colorado Department of Labor and Employment which is included in Business, Community, and Consumer Affairs.

<sup>2</sup> – Data not available prior to 2008.

## OTHER COLORADO FACTS

### Important Dates

- 1803 The United States purchases land, including what is now most of eastern Colorado, from France in the Louisiana Purchase.
- 1806 Lt. Zebulon M. Pike and a small party of U.S. soldiers sent to explore the southwestern boundary of the Louisiana Purchase discover the peak that bears his name but fail in their effort to climb it. However, they do reach the headwaters of the Arkansas River near Leadville.
- 1848 By the Treaty of Guadalupe Hidalgo, Mexico cedes to the United States most of that part of Colorado not acquired by the Louisiana Purchase.
- 1858 Gold is discovered along Cherry Creek near present day Denver.
- 1861 Congress establishes the Colorado Territory with the boundaries of the present State and chooses its name from the Spanish word for “colored red.” President Lincoln appoints William Gilpin as the first territorial governor. The State Supreme Court is organized. The first assembly meets and creates 17 counties, authorizes the University of Colorado, and selects Colorado City as the territorial capital.
- 1867 Denver is established as the permanent seat of the territorial government by the legislature meeting in Golden.
- 1870 The Denver Pacific Railroad is completed to Denver.
- 1876 Colorado is admitted to the Union as the 38<sup>th</sup> state. John L. Routt is elected the first governor.
- 1877 The University of Colorado opens classes at Boulder with two teachers and forty-four students.
- 1894 The State Capitol Building, designed by Elijah E. Meyers, is completed at a cost of \$2.5 million. Colorado becomes the second state, after Wyoming, to extend suffrage to women.
- 1906 The U.S. Mint at Denver issues its first coins.
- 1958 The U.S. Air Force Academy’s permanent campus opens near Colorado Springs.
- 1992 TABOR amendment is added to the State Constitution.

### Geography

Area: 103,718 square miles.

Highest Elevation: Mt Elbert – 14,433 feet above sea level.

Lowest Elevation: Along the Arikaree River in Yuma County – 3,315 feet above sea level.

Colorado has the highest average elevation of all fifty states – 6,800 feet above sea level.

### State Symbols and Emblems

**State Motto** – Nil Sine Numine –  
Nothing Without the Deity

**State Songs** – “Where the Columbine Grow” and  
“Rocky Mountain High”

**State Nickname** – Centennial State

**State Gemstone** – Aquamarine

**State Animal** – Rocky Mountain Bighorn Sheep

**State Grass** – Blue Grama Grass

**State Bird** – Lark Bunting

**State Insect** – Colorado Hairstreak Butterfly

**State Fish** – Greenback Cutthroat Trout

**State Mineral** – Rhodochrosite

**State Flower** – White and Lavender Columbine

**State Reptile** – Western Painted Turtle

**State Folk Dance** – Square Dance

**State Rock** – Yule Marble

**State Fossil** – Stegosaurus

**State Tree** – Colorado Blue Spruce