

## State of Colorado



**Bill Ritter, Jr.** *Governor* 

**Rich Gonzales** 

Executive Director

**Jennifer Okes** 

Deputy Executive Director

Leslie M. Shenefelt

State Controller

DPA
Department of Personnel
& Administration

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

September 20, 2007

The Honorable Bill Ritter Governor 136 State Capitol Building Denver, Colorado 80203

### Dear Governor Ritter:

The attached Basic Financial Statements for the State of Colorado are submitted to you to comply with 24-30-204 CRS. The financial statements are prepared in accordance with generally accepted accounting principles except for the budgetary statements, which report certain payroll and Medicaid expenditures on a cash basis. The financial statements are unaudited. An auditor's opinion is anticipated by mid December 2007 and will be included in the Comprehensive Annual Financial Report that my office expects to issue in late December 2007.

If you have questions please contact me.

Lisla M. Shenefelt

Sincerely,

Leslie M. Shenefelt State Controller

Attachment

cc: Senator Joan Fitz-Gerald, President of the Senate

Representative Andrew Romanoff, Speaker of the House Rich Gonzales, Department of Personnel & Administration Todd Saliman, Office of State Planning & Budgeting

# STATE OF COLORADO BASIC FINANCIAL STATEMENTS

**JUNE 30, 2007** 

### **CONTENTS**

~	CIAL STATEMENTS:
Governmen	nt-Wide Financial Statements:
Sta	tement of Net Assets
Sta	tement of Activities
Fund Finar	icial Statements:
Bal	ance Sheet – Governmental Funds
Rec	conciliation of the Balance Sheet to the
	Statement of Net Assets
Sta	tement of Revenues, Expenditures, and
	Changes in Fund Balances – Governmental Funds
Red	conciliation of the Statement of Revenues, Expenditures, and
	Changes in Fund Balances to the Statement of Activities
Sta	tement of Net Assets – Proprietary Funds
	tement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds
	tement of Cash Flows – Proprietary Funds
	tement of Fiduciary Net Assets – Fiduciary Funds
	tement of Changes in Fiduciary Net Assets – Fiduciary Funds
	tement of Net Assets – Component Units
	tement of Revenues, Expenses, and Changes in Fund Net Assets – Component Units
	tement of Revenues, Expenses, and Changes in Net Assets – Component Units
	Recast to the Statement of Activities Format
Note 1 Note 2 Note 3 Note 4 Note 5 Note 6	ough 7 – Summary of Significant Accounting Policies  - Government-Wide Financial Statements  - Reporting Entity  - Basis of Presentation – Government-Wide Financial Statements  - Basis of Presentation - Fund Financial Statements  - Basis of Accounting  - Accounting Policies Affecting Specific Assets, Liabilities, and Net Assets  - Accounting Policies Affecting Revenues, Expenditures/Expenses
	9 – Stewardship, Compliance, and Accountability
Note 8	- Legal Compliance
Note 9	- Unrestricted Net Assets Deficits
	nrough 18 – Details of Asset Items
	0 – Cash and Pooled Cash
	- Noncash Transactions in the Proprietary Fund Types
	2 – Receivables
	S – Inventory
	- Prepaids, Advances, and Deferred Charges
Note 15	- Investments
Note 16	5 – Treasurer's Investment Pool
Note 17	/ – Capital Assets

Notes 19 Through 26 – Details of Liability Items	
Note 19 – Pension System and Obligations	. 6
Note 20 – Post Retirement Health Care and Life Insurance Benefits	
Note 21 – Other Employee Benefits	. 6
Note 22 – Risk Management	
Note 23 – Lease Commitments	. 7
Note 24 – Short-Term Debt	
Note 25 – Notes and Bonds Payable	. 7
Note 26 – Changes in Long-Term Liabilities	. 7
Note 27 – Defeased Debt	. 7
Notes 28 Through 29 – Details of Net Assets and Fund Equity	
Note 28 – Prior Period Adjustments	. 7
Note 29 – Fund Equity	. 7
Note 30 – Interfund Receivables and Payables	. 8
Note 31 – Transfers Between Funds	. 8
Note 32 – Unusual or Infrequent Transactions	
Note 33 – Donor Restricted Endowments	. 8
Note 34 – Segment Information	. 8
Note 35 – Component Units	
Note 36 – Related Parties and Organizations	. 8
Note 37 – Contingencies	. 9
Note 38 – Subsequent Events	. 9
REQUIRED SUPPLEMENTARY INFORMATION:	
Budget and Actual Schedules – Budgetary Basis:	
Schedule of Revenues, Expenditures, and	
Changes in Fund Balances – General Funded	. 9
Schedule of Revenues, Expenditures/Expenses, and	
Changes in Fund Balances/Net Assets – Cash Funded	. 9
Schedule of Revenues, Expenditures/Expenses, and	
Changes in Fund Balances/Net Assets – Federally Funded	. 9
Budget to GAAP Reconciliation	
General Fund Schedule of Revenues, Expenditures, and	
Changes in General Fund Surplus – Budget and Actual - Budgetary Basis	. 10
Notes to Required Supplementary Information:	
Note RSI-1. Budgetary Information	. 10
Note RSI-2 Infrastructure Assets Reported Under the Modified Approach	
· · · · · · · · · · · · · · · · · · ·	



## STATEMENT OF NET ASSETS JUNE 30, 2007

### PRIMARY GOVERNMENT

(DOLLARS IN THOUSANDS)	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	\$ 2,455,424	\$ 1,411,561	\$ 3,866,985	\$ 131,315
Investments	998	326,087	327,085	46,498
Taxes Receivable, net	956,150	81,745	1,037,895	293
Contributions Receivable, net	450.707	-	- 070 004	23,984
Other Receivables, net Due From Other Governments	152,797 280,637	219,497 127,684	372,294 408,321	161,607 2,335
Internal Balances	13,764	(13,764)	400,321	2,330
Due From Component Units	15,764	15,334	15,399	_
Inventories	14,053	38,000	52,053	9,612
Prepaids, Advances, and Deferred Charges	28,527	15,751	44,278	9,585
Total Current Assets	3,902,415	2,221,895	6,124,310	385,229
None mont Accete.				
Noncurrent Assets: Restricted Cash and Pooled Cash	1 400 702	140.004	1 050 700	141 220
Restricted Cash and Pooled Cash Restricted Investments	1,689,703 552,211	169,086 555,310	1,858,789 1,107,521	141,328 549,335
Restricted frivestifierits Restricted Receivables	287,702	1,404,464	1,692,166	11,921
Investments	80,687	929,055	1,009,742	1,420,438
Contributions Receivable, net	-	727,033	1,007,742	42,210
Other Long-Term Assets	425,886	112,693	538,579	1,200,008
Depreciable Capital Assets and Infrastructure, net	1,288,308	2,851,692	4,140,000	548,511
Land and Nondepreciable Infrastructure	11,799,975	835,182	12,635,157	130,744
Total Noncurrent Assets	16,124,472	6,857,482	22,981,954	4,044,495
TOTAL ASSETS	20,026,887	9,079,377	29,106,264	4,429,724
		.,		
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	486,576	-	486,576	_
Accounts Payable and Accrued Liabilities	694,602	413,788	1,108,390	90,429
TABOR Refund Liability (Note 8B)	727	-	727	-
Due To Other Governments	176,864	38,099	214,963	9,317
Due To Component Units	-	273	273	-
Deferred Revenue	65,389	184,780	250,169	7,540
Accrued Compensated Absences	9,533	12,578	22,111	11,946
Claims and Judgments Payable	40,948	8,004	48,952	7,621
Leases Payable	2,807	4,950	7,757	280
Notes, Bonds, and COP's Payable	457,250	62,998	520,248	56,830
Other Current Liabilities	9,615	127,189	136,804	238,627
Total Current Liabilities	1,944,311	852,659	2,796,970	422,590
Noncurrent Liabilities:				
Deposits Held In Custody For Others	17		17	134,993
Accrued Compensated Absences	116,262	153,320	269,582	-
Claims and Judgments Payable	295,874	47,066	342,940	·
Capital Lease Payable	27,649	63,671	91,320	4,556
Notes, Bonds, and COP's Payable	1,390,671	3,100,764	4,491,435	1,662,776
Other Long-Term Liabilities	206,972	54,097	261,069	103,367
Total Noncurrent Liabilities	2,037,445	3,418,918	5,456,363	1,905,692
TOTAL LIABILITIES	3,981,756	4,271,577	8,253,333	2,328,282
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	11,804,908	2,256,929	14,061,837	217,690
Restricted for:				
Highway Construction and Maintenance	1,205,578	-	1,205,578	-
State Education	225,818	-	225,818	-
Unemployment Insurance	-	675,574	675,574	-
Debt Service	558 95.760	125,656	126,214	-
Emergencies  Permanent Funds and Endowments:	85,760	37,472	123,232	24
Permanent Funds and Endowments:  Expendable	1,782	E 212	7,095	585,558
Nonexpendable	515,997	5,313 97,821	613,818	431,195
Court Awards and Other Purposes	299,777	404,606	704,383	422,173
Unrestricted	1,904,953	1,204,429	3,109,382	444,802
TOTAL NET ASSETS	\$ 16,045,131	\$ 4,807,800	\$ 20,852,931	\$ 2,101,442
. S LINET MODELO	₩ 10,0 <del>1</del> 0,101	Ψ Τ,007,000	Ψ 20,002,701	Ψ Z,101,44Z

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

	Expenses				Program Revenues				
(DOLLARS IN THOUSANDS)	Indirect			•		perating	Capital		
			Cost	C	harges for	G	rants and	Gra	ants and
Functions/Programs	Expenses	All	location		Services	Coi	ntributions	Con	tributions
Primary Government:	_								
Governmental Activities:									
General Government	\$ 179,613	\$	(16,201)	\$	83,518	\$	195,167	\$	374
Business, Community, and									
Consumer Affairs	563,368		2,053		107,560		244,141		265
Education	4,770,206		1,012		14,080		574,322		413
Health and Rehabilitation	559,045		1,108		47,101		319,405		45
Justice	1,309,670		4,097		142,305		47,154		3,981
Natural Resources	137,221		1,236		106,131		57,478		236
Social Assistance	4,494,687		2,431		18,540		2,580,173		261
Transportation	1,211,913		1,225		249,939		111,113		410,168
Interest on Debt	42,269		-		-		-		-
Total Governmental Activities	13,267,992		(3,039)		769,174		4,128,953		415,743
Business-Type Activities:									
Higher Education	3,662,219		1,679		2,342,392		1,310,314		20,342
Unemployment Insurance	316,577		-		403,644		39,726		
CollegeInvest	96,720		-		59,728		54,688		-
Lottery	401,642		327		467,642		2,170		-
Wildlife	95,908		607		92,464		19,709		511
College Assist	187,181		73		422		203,465		_
Other Business-Type Activities	163,374		353		116,360		5,711		-
Total Business-Type Activities	4,923,621		3,039		3,482,652		1,635,783		20,853
Total Primary Government	18,191,613		_		4,251,826		5,764,736		436,596
•					., . ,		.,,		
Component Units: University of Colorado Hospital Authority	524,987				542,784		719		2,268
Denver Metropolitan Baseball Stadium District	4,593		_		533		717		390
Colorado Water Resources and	4,575		-		555		-		370
Power Development Authority	58,863		_		45,413		15,774		_
University of Colorado Foundation	84,628		_		12,554		113,567		
Colorado State University Foundation	27,736		_		12,554		55,558		_
Colorado School of Mines Foundation	15,522						29,574		
University of Northern Colorado Foundation	9,026		-		-		12,734		-
CoverColorado	40,068		-		25,080		2,019		-
Venture Capital Authority	40,000		-		23,000		2,017		
· ·		4		-	- (2) 2(4	•	220.045	•	2.450
Total Component Units	\$ 765,453	\$		\$	626,364	\$	229,945	\$	2,658

General Revenues:

Taxes:

Sales and Use Taxes

Excise Taxes

Individual Income Tax

Corporate Income Tax

Other Taxes

Restricted for Education:

Individual Income Tax

Corporate and Fiduciary Income Tax Restricted for Transportation:

Fuel Taxes

Other Taxes

Unrestricted Investment Earnings

Other General Revenues
Payment from State of Colorado

Special and/or Extraordinary Items

(Transfers-Out) / Transfers-In

Total General Revenues, Special Items, and Transfers

Change in Net Assets

Net Assets - Beginning

Prior Period Adjustment (Note 28)

Net Assets - Ending

Net (Expense) Revenue and Changes in Net Assets

	Changes in Net Assets						
	Primary Government						
Component	Total		ness-Type		overnmental		
Units	Total		tivities	A	Activities		
	115,647	\$	-	\$	115,647	\$	
	(213,455)		-		(213,455)		
	(4,182,403)		-		(4,182,403)		
	(193,602)		-		(193,602)		
	(1,120,327)		-		(1,120,327)		
	25,388 (1,898,144)		-		25,388 (1,898,144)		
	(441,918)				(441,918)		
	(42,269)		_		(42,269)		
	(7,951,083)		-		(7,951,083)		
	(1710.1700)				(171017000)		
	9,150		9,150		_		
	126,793		126,793		_		
	17,696		17,696		-		
	67,843		67,843		-		
	16,169		16,169		-		
	16,633		16,633		-		
	(41,656)		(41,656)		-		
	212,628		212,628		-		
	(7,738,455)		212,628		(7,951,083)		
20,784	-		-		-		
(3,670	-		-		-		
2,324	-		-		-		
41,493 27,822	-		-		-		
14,052	-		-		-		
3,708	-		-		-		
(12,969	-		-		-		
93,514	-		-		-		
70,01-							
203	2,244,001		_		2,244,001		
200	261,711		-		261,711		
	4,508,845		-		4,508,845		
	470,853		-		470,853		
	523,854		39,446		484,408		
	358,988		-		358,988		
	36,120		-		36,120		
	551,065		-		551,065		
	584		-		584		
72,478	43,638		-		43,638		
21 404	84,328		-		84,328		
21,496	(25,915)		-		(25,915)		
	-		98,926		(98,926)		
94,177	9,058,072		138,372		8,919,700		
187,691	1,319,617		351,000		968,617		
1,913,751	19,540,665		4,456,800		15,083,865		
	(7,351)		-, 5,000		(7,351)		
\$ 2,101,442	20,852,931	\$	4,807,800	\$	16,045,131	\$	

### BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2007

LIABILITIES:   Tax Refunds Payable   \$ 471,803   \$ - \$ 66	(DOLLARS IN THOUSANDS)		PUBLIC	HIGHWAY USERS
Cash and Pooled Cash         \$ 549,868         \$ 34,431         \$ 29,312           Taxes Receivable, net         1,024,336         -         -           Other Receivables, net         33,163         -         3,743           Due From Other Governments         269,911         4,268         16.7           Due From Component Units         6.5         12,072         64,703           Due From Component Units         6.967         -         5,585           Prepaids, Advances, and Deferred Charges         21,884         -         5,785           Prepaids, Advances, and Deferred Charges         21,884         -         5,785           Prestricted Receivables         -         -         -         22,254           Investments         -         -         -         -         -           Restricted Receivables         -		GENERAL	SCHOOL	TAX
Taxes Receivable, net	ASSETS:			
Other Receivables, net         53,163         - 3,743           Due From Other Governments         269,911         4,268         167           Due From Other Funds         9,982         12,072         64,703           Due From Other Funds         9,982         12,072         64,703           Due From Component Units         6,967         - 5,585           Prepaids, Advances, and Deferred Charges         21,884         - 5,585           Prepaids, Advances, and Deferred Charges         21,884         - 6,676         1,185,936           Restricted Receivables         6,272         - 272,541         - 272,541           Restricted Investments         4,649         - 2,272,541         - 7,119           Other Long-Term Assets         13         - 9,119         - 7,119           Capital Assets Heid as Investments         - 5,971         \$ 1,571,163           TOTAL ASSETS         \$ 1,940,838         \$ 50,771         \$ 1,571,163           LEABLITIES:         Tax Refunds Payable         \$ 471,803         \$ - 6         Accounts Payable and Accrued Liability (Note 8B)         727         - 1,268         5 14,66         Accounts Payable and Accrued Liability (Note 8B)         727         - 1,268         5 1,850         14,66         Accounts Payable and Accrued Liability (Note 8B)         <	Cash and Pooled Cash	\$ 549,868	\$ 34,43	1 \$ 29,312
Due From Other Governments				-
Due From Other Funds         9,982         12,072         64,703           Due From Component Units         65         -         -           Inventories         6,967         -         5,585           Prepaids, Advances, and Deferred Charges         21,884         -         57           Restricted Cash and Pooled Cash         -         -         1,155,796           Restricted Investments         -         -         272,541           Investments         4,649         -         -         9,119           Cother Long-Term Assets         13         -         9,119           Capital Assets Held as Investments         -         -         -         9,119           TOTAL ASSETS         \$ 1,940,838         \$ 50,771         \$ 1,571,163           LIABILITIES:         Tax Refunds Payable         \$ 471,803         \$ -         \$ 66           Accounts Payable and Accrued Liabilities         473,829         1,365         114,054           A TABOR Retund Liability (Note 8B)         727         -         -         -           Tax Refunds Payable         475,255         1,268         51,850           Due To Other Governments         47,525         1,268         51,853           Due freed Reven	<u> </u>			·
Due From Component Units				
Inventories			12,07	2 64,703
Prepaids, Advances, and Deferred Charges   21,884				
Restricted Cash and Pooled Cash   -   -   -   1,185,936     Restricted Investments   -   -   -   -   272,541     Investments   4,649   -   -   -   -   -     Other Long-Term Assets   13   -   -   -     Capital Assets Held as Investments   -   -   -   -     Capital Assets Held as Investments   -   -   -   -     TOTAL ASSETS   \$1,940,838   \$50,771   \$1,571,163      LIABILITIES:   Tax Refunds Payable   \$471,803   \$ -   \$ 66     Accounts Payable and Accrued Liabilities   473,829   1,365   114,054     Accounts Payable and Accrued Liabilities   473,829   1,365   114,054     TABOR Refund Liability (Note 8B)   727   -   -       Due To Other Governments   47,525   1,268   51,850     Due To Other Funds   25,633   119   9,39     Deferred Revenue   134,150   -     18,337     Compensated Absences Payable   65   -   -   -     Claims and Judgments Payable   1,577   -   -   -     Claims and Judgments Payable   4   -     -     Leases Payable   4   -     -       Notes, Bonds, and COP's Payable   345,000   -     -     Notes, Bonds, and COP's Payable   345,000   -     -     TOTAL LIABILITIES   1,507,128   2,752   185,291    FUND BALANCES:   Total Liability   1,507,128   2,752   185,291    FUND BALANCES:   2,507,128   2,752   1,507,129    Reserved for:   -				
Restricted Receivables		21,884		
Restricted Receivables		-		- 1,185,936
Investments		-		
Other Long-Term Assets         13         -         9,119           Capital Assets Held as Investments         -         -         -         -           TOTAL ASSETS         \$ 1,940,838         \$ 50,771         \$ 1,571,163           LIABILITIES:         -         -         6           Tax Refunds Payable         \$ 471,803         \$ -         \$ 66           Accounts Payable and Accrued Liabilities         473,829         1,365         114,054           ATABOR Refund Liability (Note 8B)         727         -         -         -           Due To Other Governments         47,525         1,268         51,850           Due To Other Funds         25,633         119         939           Deferred Revenue         134,150         -         18,337           Compensated Absences Payable         65         -         -         -           Claims and Judgments Payable         1,577         -         -         -           Leases Payable         4         -         -         -         -           Other Current Liabilities         6,808         -         -         -         -           Deposits Held In Custody For Others         7         -         -         -		- 4 / 40		- 2/2,541
Capital Assets Held as Investments		<u> </u>		
TOTAL ASSETS   \$ 1,940,838   \$ 50,771   \$ 1,571,163	•	13		- 9,119
LIABILITIES:  Tax Refunds Payable  Accounts Payable and Accrued Liabilities  AT3,829  Due To Other Governments  AT5,525  Due To Other Governments  Due To Other Funds  Defrored Revenue  134,150  Compensated Absences Payable  Claims and Judgments Payable  Leases Payable  A 4  Notes, Bonds, and COP's Payable  Other Current Liabilities  Deposits Held In Custody For Others  TOTAL LIABILITIES  TOTAL LIABILITIES  Total August Service  Statutory Purposes  Risk Management  Bridge August Serviced  Funds Reported as Restricted  Unreserved Undesignated, Reported in:  General Funds  Nonmajor Special Revenue Funds  Nonmajor Permanent Funds  TOTAL FUND BALANCES  Reserved for:  FUND BALANCES  Reserved Index Service  Funds Reported as Restricted  116,172  - 48,019  1,385,872  TOTAL FUND BALANCES  Reserval Funds  - 48,019  1,385,872  TOTAL FUND BALANCES  Reserved Index Funds  - 48,019  1,385,872	·			
Tax Refunds Payable         \$471,803         \$ -         \$ 66           Accounts Payable and Accrued Liabilities         473,829         1,365         114,054           TABOR Refund Liability (Note 8B)         727         -         -           Due To Other Governments         47,525         1,268         51,850           Due To Other Funds         25,633         119         939           Deferred Revenue         134,150         -         18,337           Compensated Absences Payable         65         -         -           Claims and Judgments Payable         1,577         -         -           Leases Payable         4         -         -         -           Notes, Bonds, and COP's Payable         345,000         -         -         -           Other Current Liabilities         6,808         -         45         -         -           Deposits Held In Custody For Others         7         -         -         -         -           TOTAL LIABILITIES         1,507,128         2,752         185,291           FUND BALANCES:           Reserved for:         -         -         -         -         -         -         -         -         -         <	TOTAL ASSETS	\$ 1,940,838	\$ 50,77	1 \$ 1,571,163
Tax Refunds Payable         \$471,803         \$ -         \$ 66           Accounts Payable and Accrued Liabilities         473,829         1,365         114,054           TABOR Refund Liability (Note 8B)         727         -         -           Due To Other Governments         47,525         1,268         51,850           Due To Other Funds         25,633         119         939           Deferred Revenue         134,150         -         18,337           Compensated Absences Payable         65         -         -           Claims and Judgments Payable         1,577         -         -           Leases Payable         4         -         -         -           Notes, Bonds, and COP's Payable         345,000         -         -         -           Other Current Liabilities         6,808         -         45         -         -           Deposits Held In Custody For Others         7         -         -         -         -           TOTAL LIABILITIES         1,507,128         2,752         185,291           FUND BALANCES:           Reserved for:         -         -         -         -         -         -         -         -         -         <	LIADILITIES.			
Accounts Payable and Accrued Liabilities		¢ /71 903	¢	\$ 66
TABOR Refund Liability (Note 8B)         727         -         -           Due To Other Governments         47,525         1,268         51,850           Due To Other Funds         25,633         1119         939           Deferred Revenue         134,150         -         18,337           Compensated Absences Payable         65         -         -           Claims and Judgments Payable         1,577         -         -           Leases Payable         4         -         -           Notes, Bonds, and COP's Payable         345,000         -         -           Other Current Liabilities         6,808         -         45           Deposits Held In Custody For Others         7         -         -           TOTAL LIABILITIES         1,507,128         2,752         185,291           FUND BALANCES:           Reserved for:         -         -         -         -           Encumbrances         11,912         -         628,477           Noncurrent Assets         13         -         9,119           Debt Service         -         -         -           Statutory Purposes         267,020         -         -           Risk				
Due To Other Governments         47,525         1,268         51,850           Due To Other Funds         25,633         119         939           Deferred Revenue         134,150         -         18,337           Compensated Absences Payable         65         -         -           Claims and Judgments Payable         1,577         -         -           Claims and COP's Payable         345,000         -         -           Notes, Bonds, and COP's Payable         345,000         -         -           Other Current Liabilities         6,808         -         45           Deposits Held In Custody For Others         7         -         -           TOTAL LIABILITIES         1,507,128         2,752         185,291           FUND BALANCES:         Reserved for:         -         -         -         -           Encumbrances         11,912         -         628,477         Noncurrent Assets         13         -         9,119           Debt Service         -         -         -         -         -         -           Statutory Purposes         267,020         -         -         -         -         -         -         -         -         -	•		1,30	
Due To Other Funds         25,633         119         939           Deferred Revenue         134,150         -         18,337           Compensated Absences Payable         65         -         -           Claims and Judgments Payable         1,577         -         -           Leases Payable         4         -         -           Notes, Bonds, and COP's Payable         345,000         -         -           Other Current Liabilities         6,808         -         45           Deposits Held In Custody For Others         7         -         -           TOTAL LIABILITIES         1,507,128         2,752         185,291           FUND BALANCES:           Reserved for:         -         -         -         -           Encumbrances         11,912         -         628,477           Noncurrent Assets         13         -         9,119           Debt Service         -         -         -           Statutory Purposes         267,020         -         -           Risk Management         38,593         -         -           Emergencies         -         -         -         -           Funds Reported as Restricte	• • •		1 26	8 51.850
Deferred Revenue         134,150         -         18,337           Compensated Absences Payable         65         -         -           Claims and Judgments Payable         1,577         -         -           Leases Payable         4         -         -           Notes, Bonds, and COP's Payable         345,000         -         -           Other Current Liabilities         6,808         -         45           Deposits Held In Custody For Others         7         -         -           TOTAL LIABILITIES         1,507,128         2,752         185,291           FUND BALANCES:           Reserved for:         -         -         -         -           Encumbrances         11,912         -         628,477           Noncurrent Assets         13         -         9,119           Debt Service         -         -         -         -           Statutory Purposes         267,020         -         -         -           Risk Management         38,593         -         -         -           Emergencies         -         -         -         723,465           Urreserved Undesignated, Reported in:         -         -				
Compensated Absences Payable         65         -         -           Claims and Judgments Payable         1,577         -         -           Leases Payable         4         -         -           Notes, Bonds, and COP's Payable         345,000         -         -           Other Current Liabilities         6,808         -         45           Deposits Held In Custody For Others         7         -         -           TOTAL LIABILITIES         1,507,128         2,752         185,291           FUND BALANCES:           Reserved for:         -         -         -         -           Encumbrances         11,912         -         628,477           Noncurrent Assets         13         -         9,119           Debt Service         -         -         -           Statutory Purposes         267,020         -         -           Risk Management         38,593         -         -           Emergencies         -         -         -         -           Funds Reported as Restricted         -         -         -         -           Unreserved Undesignated, Reported in:         -         -         -         -				
Claims and Judgments Payable         1,577         -         -           Leases Payable         4         -         -           Notes, Bonds, and COP's Payable         345,000         -         -           Other Current Liabilities         6,808         -         45           Deposits Held In Custody For Others         7         -         -           TOTAL LIABILITIES         1,507,128         2,752         185,291           FUND BALANCES:           Reserved for:         -         -         628,477           Noncurrent Assets         13         -         9,119           Debt Service         -         -         -         9,119           Debt Service         -         -         -         -           Statutory Purposes         267,020         -         -         -           Risk Management         38,593         -         -         -           Emergencies         -         -         723,465           Unreserved Undesignated, Reported in:         -         -         -         723,465           Unreserved Undesignated, Reported in:         -         -         -         -         -         -         -         - <td></td> <td></td> <td></td> <td></td>				
Leases Payable         4         -         -           Notes, Bonds, and COP's Payable         345,000         -         -           Other Current Liabilities         6,808         -         45           Deposits Held In Custody For Others         7         -         -           TOTAL LIABILITIES         1,507,128         2,752         185,291           FUND BALANCES:           Reserved for:         -         -         628,477           Noncurrent Assets         13         -         9,119           Debt Service         -         -         -         9,119           Debt Service         -         -         -         -         -           Statutory Purposes         267,020         -         -         -         -           Risk Management         38,593         -         -         -         -           Emergencies         -         -         -         723,465           Unreserved Undesignated, Reported in:         -         -         723,465           Unreserved Undesignated, Reported in:         -         -         -         -         -         -         723,465         -         -         -         -				
Notes, Bonds, and COP's Payable         345,000         -				
Other Current Liabilities         6,808         -         45           Deposits Held In Custody For Others         7         -         -           TOTAL LIABILITIES         1,507,128         2,752         185,291           FUND BALANCES:         Reserved for:           Encumbrances         11,912         -         628,477           Noncurrent Assets         13         -         9,119           Debt Service         -         -         -           Statutory Purposes         267,020         -         -           Risk Management         38,593         -         -           Emergencies         -         -         -           Funds Reported as Restricted         -         -         -           Unreserved Undesignated, Reported in:         -         -         -           General Fund         116,172         -         -           Special Revenue Funds         -         -         -           Nonmajor Special Revenue Funds         -         -         -           Nonmajor Permanent Funds         -         -         -           TOTAL FUND BALANCES         433,710         48,019         1,385,872	Notes, Bonds, and COP's Payable	345,000		
FUND BALANCES:         Reserved for:           Encumbrances         11,912         -         628,477           Noncurrent Assets         13         -         9,119           Debt Service         -         -         -           Statutory Purposes         267,020         -         -           Risk Management         38,593         -         -           Emergencies         -         -         -         -           Funds Reported as Restricted         -         -         -         -         -           Unreserved Undesignated, Reported in:         - <td>Other Current Liabilities</td> <td>6,808</td> <td></td> <td>- 45</td>	Other Current Liabilities	6,808		- 45
FUND BALANCES: Reserved for: Encumbrances 11,912 - 628,477 Noncurrent Assets 13 - 9,119 Debt Service Statutory Purposes 267,020 Risk Management 38,593 Emergencies 723,465 Unreserved Undesignated, Reported in: General Fund 116,172 723,465 Unreserved Undesignated Reported in: General Fund 116,172 Special Revenue Funds - 48,019 24,811 Capital Projects Funds	Deposits Held In Custody For Others	7		
Reserved for:         Encumbrances       11,912       -       628,477         Noncurrent Assets       13       -       9,119         Debt Service       -       -       -         Statutory Purposes       267,020       -       -         Risk Management       38,593       -       -         Emergencies       -       -       -         Funds Reported as Restricted       -       -       -       723,465         Unreserved Undesignated, Reported in:       - <t< td=""><td>TOTAL LIABILITIES</td><td>1,507,128</td><td>2,75</td><td>2 185,291</td></t<>	TOTAL LIABILITIES	1,507,128	2,75	2 185,291
Reserved for:         Encumbrances       11,912       -       628,477         Noncurrent Assets       13       -       9,119         Debt Service       -       -       -         Statutory Purposes       267,020       -       -         Risk Management       38,593       -       -         Emergencies       -       -       -         Funds Reported as Restricted       -       -       -       723,465         Unreserved Undesignated, Reported in:       - <t< td=""><td></td><td></td><td></td><td></td></t<>				
Encumbrances         11,912         -         628,477           Noncurrent Assets         13         -         9,119           Debt Service         -         -         -           Statutory Purposes         267,020         -         -           Risk Management         38,593         -         -           Emergencies         -         -         -         -           Funds Reported as Restricted         -         -         -         723,465           Unreserved Undesignated, Reported in:         General Fund         116,172         -         -         -           Special Revenue Funds         -         48,019         24,811         -         -           Capital Projects Funds         -         -         -         -         -         -           Nonmajor Special Revenue Funds         - </td <td></td> <td></td> <td></td> <td></td>				
Noncurrent Assets         13         -         9,119           Debt Service         -         -         -           Statutory Purposes         267,020         -         -           Risk Management         38,593         -         -           Emergencies         -         -         -         -           Funds Reported as Restricted         -         -         -         723,465           Unreserved Undesignated, Reported in:         -		11 012		- 628 477
Debt Service         -         -         -           Statutory Purposes         267,020         -         -           Risk Management         38,593         -         -           Emergencies         -         -         -         -           Funds Reported as Restricted         -         -         -         723,465           Unreserved Undesignated, Reported in:         -				•
Statutory Purposes       267,020       -       -         Risk Management       38,593       -       -         Emergencies       -       -       -       -         Funds Reported as Restricted       -       -       -       723,465         Unreserved Undesignated, Reported in:       - <td< td=""><td></td><td>10</td><td></td><td>7,117</td></td<>		10		7,117
Risk Management       38,593       -       -         Emergencies       -       -       -         Funds Reported as Restricted       -       -       723,465         Unreserved Undesignated, Reported in:       -       -       -       -         General Fund       116,172       -       -       -         Special Revenue Funds       -       48,019       24,811         Capital Projects Funds       -       -       -         Nonmajor Special Revenue Funds       -       -       -         Nonmajor Permanent Funds       -       -       -         TOTAL FUND BALANCES       433,710       48,019       1,385,872		267.020		
Emergencies         -         -         -         -         -         723,465           Unreserved Undesignated, Reported in:         General Fund         116,172         -				
Funds Reported as Restricted       -       -       723,465         Unreserved Undesignated, Reported in:       -	· ·	-		
Unreserved Undesignated, Reported in:           General Fund         116,172         -	•			- 723,465
General Fund         116,172         -	·			, 20, 100
Special Revenue Funds         -         48,019         24,811           Capital Projects Funds         -         -         -           Nonmajor Special Revenue Funds         -         -         -           Nonmajor Permanent Funds         -         -         -           TOTAL FUND BALANCES         433,710         48,019         1,385,872		116 172		_
Capital Projects Funds         _		-	48.01	9 24.811
Nonmajor Special Revenue Funds Nonmajor Permanent Funds TOTAL FUND BALANCES		_	15,01	
Nonmajor Permanent Funds         -         -         -           TOTAL FUND BALANCES         433,710         48,019         1,385,872				
TOTAL FUND BALANCES 433,710 48,019 1,385,872		-		_
TOTAL LIABILITIES AND FUND BALANCES \$ 1,940,838 \$ 50,771 \$ 1.571.163		433,710	48,01	9 1,385,872
	TOTAL LIABILITIES AND FUND BALANCES	\$ 1,940,838	\$ 50,77	1 \$ 1,571,163

				OTHER		
CAPITAL		STATE	GO\	VERNMENTAL		
PROJECTS		UCATION		FUNDS		TOTAL
ф F24.2/1	Φ.		Φ.	1 204 / 77	¢.	2 422 540
\$ 534,261	\$	-	\$	1,284,677 65,503	\$	2,432,549
- ( 124		-				1,089,839
6,124				89,346		152,376
1,069		-		5,078		280,493
6,279		-		127,428		220,464
				-		65
- 1.750		-		289		12,841
1,759		-		4,512		28,212
		169,199		334,568		1,689,703
-		55,657		496,554		552,211
-		1,042		14,119		287,702
		-		77,044		81,693
139		-		286,474		295,745
		-		7,936		7,936
\$ 549,631	\$	225,898	\$	2,793,528	\$	7,131,829
\$ -	\$	_	\$	14,707	\$	486,576
22,366	•	80	•	73,933	•	685,627
-		-		-		727
_				62,332		162,975
1,396		_		192,591		220,678
3,969		-		41,947		198,403
		-		17		82
_		_		72		1,649
-		-		-		4
		-		-		345,000
_		-		2,762		9,615
-		-		10		17
27,731		80		388,371		2,111,353
21,701				300,071		2,111,000
192,635		_		_		833,024
192,033		_		- 294,325		303,596
137		<del>-</del>		558		
130 000		<u> </u>				558 397,020
130,000						38,593
- -		_		85,760		85,760
		225,818		728,718		1,678,001
-		223,010		720,710		1,070,001
-		-		-		116,172
-		-		311,888		384,718
199,126		-		-		199,126
-		-		982,126		982,126
-		-		1,782		1,782
521,900		225,818		2,405,157		5,020,476
\$ 549,631	\$	225,898	\$	2,793,528	\$	7,131,829

### GOVERNMENTAL FUNDS BALANCE SHEET RECONCILED TO STATEMENT OF NET ASSETS JUNE 30, 2007

		(A)	(B)	(C)	(D)	(E)	(F)	
(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	INTERNAL SERVICE FUNDS	CAPITAL ASSET BALANCES	DEBT RELATED BALANCES	CENTRALIZED RISK MANAGEMENT LIABILITIES	OTHER MEASUREMENT FOCUS ADJUSTMENTS	INTERNAL BALANCES ELIMINATION	STATEMENT OF NET ASSETS TOTALS
ASSETS:								
Current Assets: Cash and Pooled Cash Investments	\$ 2,432,549	\$ 22,875	\$ -	\$ -	\$ -	\$ - 990	\$ -	\$ 2,455,424 990
Taxes Receivable, net	1,089,839	-	-	-	-	(133,689)	-	956,150
Other Receivables, net	152,376	421	-	-	-	-	-	152,797
Due From Other Governments Due From Other Funds	280,493 220,464	144 88	-	-	-	- 8	(206,796)	280,637 13,764
Due From Component Units	220,464	-	-		-	-	(200,790)	13,764
Inventories	12,841	1,212	-	-	-	-	-	14,053
Prepaids, Advances, and Deferred Charges	28,212	315	-	-	-	-	-	28,527
Total Current Assets	4,216,839	25,055	-	-	-	(132,691)	(206,796)	3,902,407
Noncurrent Assets:								
Restricted Cash and Pooled Cash	1,689,703	-	-	-	-	-	-	1,689,703
Restricted Investments Restricted Receivables	552,211 287,702	-	-	-	-	-	-	552,211 287,702
Investments	81,693	-	-	-	-	(998)	-	80,695
Other Long-Term Assets	295,745	386		-	-	129,755	-	425,886
Depreciable Capital Assets and Infrastructure, net Land and Nondepreciable Infrastructure	- 7,936	63,054	1,225,254 11,792,039	-	-	-	-	1,288,308 11,799,975
Total Noncurrent Assets	2,914,990	63,440	13,017,293			128,757		16,124,480
TOTAL ASSETS	7,131,829	88,495	13,017,293			(3,934)	(206,796)	20,026,887
10112700210	7,101,027	00,170	10,017,270			(0,701)	(200,770)	20,020,007
LIABILITIES:								
Current Liabilities: Tax Refunds Payable	486,576							486,576
Accounts Payable and Accrued Liabilities	685,627	7,039	-	1,936	-	-	-	694,602
TABOR Refund Liability (Note 8B)	727	-	-	-	-	-	-	727
Due To Other Governments	162,975	-	-	-	-	13,889	-	176,864
Due To Other Funds Deferred Revenue	220,678 198,403	7 675	-	-	-	(13,889) (133,689)	(206,796)	65,389
Compensated Absences Payable	82	83		_		9,368		9,533
Claims and Judgments Payable	1,649	-	-	-	26,795	12,504	-	40,948
Leases Payable	4 345,000	1,773	-	1,030	-	-	-	2,807
Notes, Bonds, and COP's Payable Other Current Liabilities	9,615	9,640	-	102,610	-	-	-	457,250 9,615
Total Current Liabilities	2,111,336	19,217	-	105,576	26,795	(111,817)	(206,796)	1,944,311
Noncurrent Liabilities:								
Deposits Held In Custody For Others	17	-	-	-	-	-	-	17
Accrued Compensated Absences	-	1,735	-	-	-	114,527	-	116,262
Claims and Judgments Payable Capital Lease Payable	-	- 22,221	-	5,428	_	295,874	-	295,874 27,649
Notes, Bonds, and COP's Payable	-	23,581	-	1,367,090	-	-	-	1,390,671
Other Long-Term Liabilities	-	-	-	-	73,259	133,713	-	206,972
Total Noncurrent Liabilities	17	47,537	-	1,372,518	73,259	544,114	-	2,037,445
TOTAL LIABILITIES	2,111,353	66,754	-	1,478,094	100,054	432,297	(206,796)	3,981,756
NET ASSETS:								
Invested in Capital Assets, Net of Related Debt	7,930	5,839	13,017,293	(1,226,154)	-	-	-	11,804,908
Restricted for:								
Highway Construction and Maintenance State Education	1,351,942 225,818	-	-	(146,364)	-	-	-	1,205,578 225,818
Debt Service	558	-	-	-	-	-	-	558
Emergencies	85,760	-	-	-	-	-	-	85,760
Permanent Funds and Endowments:	1,782							1 700
Expendable Nonexpendable	1,782 515,997	-	-	-	-	-	-	1,782 515,997
Court Awards and Other Purposes	299,777	-	-	-	-	-	-	299,777
Unrestricted	2,530,912	15,902		(105,576)	(100,054)	(436,231)	<u>-</u>	1,904,953
TOTAL NET ASSETS	\$ 5,020,476	\$ 21,741	\$ 13,017,293	\$ (1,478,094)	\$ (100,054)	\$ (436,231)	\$ -	\$ 16,045,131

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

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

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2007

(DOLLARS IN THOUSANDS)	CENEDAL	PUBLIC	HIGHWAY USERS	
	GENERAL	SCHOOL	TAX	
REVENUES:				
Taxes:				
Individual and Fiduciary Income	\$ 4,509,875	\$ -	\$ -	
Corporate Income	463,812	-	-	
Sales and Use	2,003,062	-	-	
Excise Other Taylor	94,030	-	551,063	
Other Taxes Licenses, Permits, and Fines	184,361 42,806	-	584 257,866	
Charges for Goods and Services	56,935	<u> </u>	5,262	
Rents	184	-	1,201	
Investment Income (Loss)	66,357	20	53,036	
Federal Grants and Contracts	3,378,733	-	429,698	
Other	234,686	8,215	43,671	
TOTAL REVENUES	11,034,841	8,235	1,342,381	
EVDENDITUDES.				
EXPENDITURES: Current:				
General Government	218,723	_	11,894	
Business, Community, and Consumer Affairs	146,881	_	-	
Education	682,936	165	_	
Health and Rehabilitation	435,585	-	7,558	
Justice	987,927	_	74,013	
Natural Resources	55,777	_	- 1,010	
Social Assistance	3,245,325	-		
Transportation	-	_	947,768	
Capital Outlay	14,882	_	17,345	
Intergovernmental:				
Cities	29,859	=	107,473	
Counties	1,413,666	-	164,511	
School Districts	597,508	2,758,226	-	
Special Districts	78,978	-	30,100	
Federal	2,314	-	-	
Other	61,271	-	496	
Debt Service	36,299	-	-	
TOTAL EXPENDITURES	8,007,931	2,758,391	1,361,158	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,026,910	(2,750,156)	(18,777)	
OTHER FINANCING SOURCES (USES):				
Transfers-In	209,961	2,764,265	527,020	
Transfers-Out	(3,400,078)	(14,658)	(198,923)	
Capital Lease Proceeds	3,874	-	-	
Sale of Capital Assets	31	-	17	
Insurance Recoveries	251	-	-	
TOTAL OTHER FINANCING SOURCES (USES)	(3,185,961)	2,749,607	328,114	
NET CHANGE IN FUND BALANCES	(159,051)	(549)	309,337	
FUND BALANCE, FISCAL YEAR BEGINNING Prior Period Adjustment (See Note 28)	592,761 -	48,568 -	1,078,442 (1,907)	
•	¢ 422.740	¢ 40.010		
FUND BALANCE, FISCAL YEAR END	\$ 433,710	\$ 48,019	\$ 1,385,872	

\$ - \$ 360,996 - 34,112 	\$ -	
	\$ - -	
	\$ - -	
- 34,112 	-	\$ 4,870,871
	044 700	497,924
	241,798	2,244,860
	168,182	813,275
- -	323,530 274,290	508,475 574,962
	37,100	99,297
- 29	66,854	68,268
21,097 14,353	117,518	272,381
12,515 -	253,062	4,074,008
8,689 8	32,058	327,327
42,301 409,498	1,514,392	14,351,648
4,252 -	15,991	250,860
178 -	155,850	302,909
6,139 623	23,536	713,399
47 -	87,125	530,315
1,787 -	23,922	1,087,649
1,822 -	49,362	106,961
582 -	154,129	3,400,036
-	1,956	949,724
73,710 -	17,860	123,797
635 -	101,345	239,312
809 -	142,379	1,721,365
- 327,588	35,277	3,718,599
- 5,518	25,636	140,232
4 -	694	3,012
1,664 -	35,343	98,774
	176,527	212,826
91,629 333,729	1,046,932	13,599,770
(49,328) 75,769	467,460	751,878
(17,628)	1077100	70.7070
305,949 -	396,788	4,203,983
(14,702) (2,994)	(627,916)	(4,259,271)
	-	3,874
- 916 -	85 15	133 1,182
292,163 (2,994)	(231,028)	(50,099)
242,835 72,775	236,432	701,779
279,065 153,043	2,166,818	4,318,697
= -	1,907	-
\$ 521,900 \$ 225,818	\$ 2,405,157	\$ 5,020,476

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES RECONCILED TO STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

		(A)	(B)	(C)	(D)	
(DOLLARS IN THOUSANDS)	T07.11				OTHER	074754547 05
	TOTAL	INTERNAL	CAPITAL	LONG-TERM	MEASUREMENT	STATEMENT OF
	GOVERNMENTAL FUNDS	SERVICE FUNDS	RELATED ITEMS	DEBT TRANSACTIONS	FOCUS ADJUSTMENTS	ACTIVITIES TOTALS
	FUNDS	FUNDS	TTEIVIS	TRANSACTIONS	ADJUSTIVIENTS	TOTALS
REVENUES:						
Taxes:		_	_	_	. (1 ===)	
Individual and Fiduciary Income	\$ 4,870,871	\$ -	\$ -	\$ -	\$ (1,577)	\$ 4,869,294
Corporate Income	497,924	-	-	-	7,041	504,965
Sales and Use	2,244,860	-	-	-	(865)	2,243,995
Excise	813,275	-	-	-	(501)	812,774
Other Taxes	508,475	-	-	-	(65)	508,410
Licenses, Permits, and Fines	574,962	-	-	-	52	575,014
Charges for Goods and Services	99,297	-	-	-	8	99,305
Rents	68,268	-	-	-		68,268
Investment Income (Loss)	272,381	521	-	-	54	272,956
Federal Grants and Contracts	4,074,008	-		-	-	4,074,008
Other	327,327	-	282	-	(13,043)	314,566
TOTAL REVENUES	14,351,648	521	282	-	(8,896)	14,343,555
EXPENDITURES: Current:						
General Government	250,860	(566)	8,140	_	(6,904)	251,530
Business, Community, and Consumer Affairs	302,909	(218)	4,781	_	(42,972)	264,500
Education	713,399	(57)	518	_	20	713,880
Health and Rehabilitation	530,315	(68)	5,787	_	677	536,711
Justice	1,087,649	698	27,267	_	3,322	1,118,936
Natural Resources	106,961	(46)	5,478	_	(582)	111,811
Social Assistance	3,400,036	(172)	6,218	_	420	3,406,502
Transportation	949,724	839	(124,262)	_	(291)	826,010
Capital Outlay	123,797	-	(91,725)	_	(27.7)	32,072
Intergovernmental:	120,777		(71,720)			02,072
Cities	239,312	_	_	_	_	239,312
Counties	1,721,365	_	_	_	_	1,721,365
School Districts	3,718,599	_	_	_	_	3,718,599
Special Districts	140,232	_		_	_	140,232
Federal	3,012				_	3,012
Other	98,774	_		_	_	98,774
Debt Service	212,826	1,943	_	(102,439)	_	112,330
TOTAL EXPENDITURES	13,599,770	2,353	(157,798)	(102,439)	(46,310)	13,295,576
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	751,878	(1,832)	158,080	102,439	37,414	1,047,979
		, ,				
OTHER FINANCING SOURCES (USES):						
Transfers-In	4,203,983	1,551	-	-	-	4,205,534
Transfers-Out	(4,259,271)	(4,113)	-	(0.074)	-	(4,263,384)
Capital Lease Proceeds	3,874	-	-	(3,874)	-	-
Sale of Capital Assets	133	-	(22,974)	-	-	(22,841)
Insurance Recoveries	1,182				(6)	1,176
TOTAL OTHER FINANCING SOURCES (USES)	(50,099)	(2,562)	(22,974)	(3,874)	(6)	(79,515)
Internal Service Fund Charges to BTAs	-	153	-	-	-	153
NET CHANGE FOR THE YEAR	\$ 701,779	\$ (4,241)	\$ 135,106	\$ 98,565	\$ 37,408	\$ 968,617

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

- (A) Management uses Internal Services Funds to report charges for and the costs of goods and services sold by state agencies solely within the state. Internal Service Funds are intended to operate on the cost reimbursement basis and should break even each period. If an Internal Service Funds makes a profit, the other funds of the state have been overcharged. If an Internal Service Fund has an operating loss, the other funds of the state have been undercharged. In order to show the true cost of services purchased from Internal Service Funds, an adjustment is made that allocates the net revenue/expense of each Internal Service Fund to the programs that purchased the service. Investment income, debt service, and transfers of the Internal Service Fund are not allocated. In addition to minor internal sales within the Department of Transportation and the Department of Public Safety, the state's Internal Service Funds provide the following goods and services to nearly all state agencies:
  - Fleet management, printing, and mail services;
  - Information management services;
  - Telecommunication services;
  - Building maintenance and management in the capitol complex;
  - Administrative hearings services;
  - 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 fundlevel *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, 2007

(DOLLARS IN THOUSANDS)	HIGHER	
,	EDUCATION	UNEMPLOYMENT
	INSTITUTIONS	INSURANCE
ASSETS:		
Current Assets:		
Cash and Pooled Cash	\$ 617,899	\$ 611,116
Investments	326,076	-
Taxes Receivable, net	-	81,745
Student and Other Receivables, net	187,012	3,861
Due From Other Governments Due From Other Funds	119,369 14,451	1,497
Due From Component Units	15,334	<u>-</u>
Inventories	24,845	- -
Prepaids, Advances, and Deferred Charges	9,706	-
Total Current Assets	1,314,692	698,219
	.,,,,,,,,,	
Noncurrent Assets:		
Restricted Cash and Pooled Cash	84,442	-
Restricted Investments Restricted Receivables	178,982	-
Investments	816,472	-
Other Long-Term Assets	99,189	_
Depreciable Capital Assets and Infrastructure, net	2,737,546	_
Land and Nondepreciable Infrastructure	716,567	-
Total Noncurrent Assets	4,633,198	-
TOTAL ASSETS	5,947,890	698,219
LIABILITIES:		
Current Liabilities:	074.740	400
Accounts Payable and Accrued Liabilities  Due To Other Governments	374,769	133
Due To Other Governments  Due To Other Funds	8,073	2
Due To Component Units	273	
Deferred Revenue	145,762	- -
Compensated Absences Payable	11,723	_
Claims and Judgments Payable	-	8,004
Leases Payable	4,775	-
Notes, Bonds, and COP's Payable	45,229	-
Other Current Liabilities	78,658	14,506
Total Current Liabilities	669,262	22,645
Noncurrent Liabilities:		
Due to Other Funds	1,073	-
Accrued Compensated Absences	144,607	-
Claims and Judgments Payable	47,066	
Capital Lease Payable	61,433	-
Notes, Bonds, and COP's Payable	1,463,252	=
Other Long-Term Liabilities	19,609	-
Total Noncurrent Liabilities	1,737,040	-
TOTAL LIABILITIES	2,406,302	22,645
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	2,040,607	-
Restricted for:		47F F74
Unemployment Insurance Debt Service	12 152	675,574
Emergencies	12,153	<del>-</del> -
Permanent Funds and Endowments:	-	-
Expendable	5,313	-
Nonexpendable	97,821	-
Court Awards and Other Purposes	399,547	-
Unrestricted	986,147	=
TOTAL NET ASSETS	\$ 3,541,588	\$ 675,574
	,,	

## BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS

## GOVERNMENTAL ACTIVITIES

				INTERNAL
OLLEGEINVEST	STATE LOTTERY	OTHER ENTERPRISES	TOTAL	SERVICE FUNDS
\$ 11,144	\$ 35,184	¢ 124-210	¢ 1 411 E41	\$ 22,87
\$ 11,144 11	\$ 35,184 -	\$ 136,218 -	\$ 1,411,561 326,087	\$ 22,87
-	-	-	81,745	
1,384	18,528	8,674	219,459	42
-	-	6,818	127,684	14
1,128	-	2,800	18,379	
-	724	10 401	15,334	1.2
348	724 3,971	12,431 1,726	38,000 15,751	1,2° 3°
14,015	58,407	168,667	2,254,000	25,05
-	-	84,644	169,086	
376,328	-	-	555,310	
1,398,419	-	6,045	1,404,464	
112,583	-	- 2.040	929,055	•
11,436 559	- 697	2,068 112,890	112,693 2,851,692	38 20,63
-	-	118,615	835,182	03,0
1,899,325	697	324,262	6,857,482	63,44
1,913,340	59,104	492,929	9,111,482	88,49
8,086	2,727	28,073	413,788	7,03
23,774	25	6,635	30,434	
1,400	28,706	516	38,697	
-	228	38,790	184,780	67
-	27	828	12,578	
-	-	-	8,004	
-	-	175	4,950	1,7
15,974	-	1,795	62,998	9,6
4,595 53,829	23,813 55,526	5,617 82,429	127,189 883,691	19,2
55,629	55,520	02,429	863,041	17,2
-	-	-	1,073	
177	806	7,730	153,320	1,7
-	-	2 220	47,066	22.2
1,625,330	-	2,238 12,182	63,671 3,100,764	22,2 23,5
34,153	101	234	54,097	23,3
1,659,660	907	22,384	3,419,991	47,5
1,713,489	56,433	104,813	4,303,682	66,7
559	697	215,066	2,256,929	5,83
-	-	-	675,574	
113,503	-	- 37,472	125,656 37,472	
-		31,412		
-	-	-	5,313 97,821	
-	-	-	97,821	
_	_	5.059	404.606	
- 85,789	- 1,974	5,059 130,519	404,606 1,204,429	15,90

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2007

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION	LINEMDI OVMENT
	INSTITUTIONS	UNEMPLOYMENT INSURANCE
DPERATING REVENUES:		
Unemployment Insurance Taxes	\$ -	\$ 403,642
License and Permits	-	-
Tuition and Fees	1,354,407	-
Pledged Tuition and Fees	84,475	-
Scholarship Allowance for Tuition and Fees Sales of Goods and Services	(247,867) 860,651	-
Pledged Sales of Goods & Services	217,414	-
Scholarship Allowance for Sales of Goods & Services	(11,650)	- -
Investment Income (Loss)	4,039	-
Pledged Investment Income	-	-
Rental Income	13,815	-
Gifts and Donations	10,934	-
Federal Grants and Contracts Pledged Federal Grants and Contracts	770,661 139,013	15,607
Intergovernmental Revenue	12,887	- -
Other	174,073	3
Pledged Other Revenues	11,307	-
OTAL OPERATING REVENUES	3,394,159	419,252
	0,071,107	117/202
PERATING EXPENSES:		
Salaries and Fringe Benefits	2,461,499	-
Operating and Travel Cost of Goods Sold	749,736 130,625	316,646
Depreciation and Amortization	227,000	
Intergovernmental Distributions	18,020	-
Debt Service	-	-
Prizes and Awards	72	-
OTAL OPERATING EXPENSES	3,586,952	316,646
PERATING INCOME (LOSS)	(192,793)	102,606
IONOPERATING REVENUES AND (EXPENSES):		
Taxes	-	-
Fines and Settlements	70	-
Investment Income (Loss)	127,131	24,188
Pledged Investment Income Rental Income	2,918	-
Gifts and Donations	10,362 97,941	-
Intergovernmental Distributions	(23,304)	
Federal Grants and Contracts	(20,001)	-
Gain/(Loss) on Sale or Impairment of Capital Assets	(8,441)	-
Insurance Recoveries from Prior Year Impairments	-	-
Debt Service	(43,952)	-
Other Expenses	- 17 400	-
Other Revenues	17,488	-
OTAL NONOPERATING REVENUES (EXPENSES)	180,213	24,188
NCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(12,580)	126,794
ONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	58,110	-
Transfers-In	134,452	-
Transfers-Out	(3,975)	<u> </u>
OTAL CONTRIBUTIONS AND TRANSFERS	188,587	
HANGE IN NET ASSETS	176,007	126,794
OTAL NET ASSETS - FISCAL YEAR BEGINNING	3,365,581	548,780
OTAL NET ASSETS - FISCAL YEAR ENDING	\$ 3,541,588	\$ 675,574
S. I.E. I.E. MODELS TISSUE TEST ENDING	Ψ 0,0+1,000	Ψ 0/3,3/4

## BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS

## GOVERNMENTAL ACTIVITIES

COLLE	GEINVEST	STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
\$	_	\$ -	\$ -	\$ 403,642	\$ -
	-	62	84,240	84,302	-
	-	=	315	1,354,722	-
	-	-	-	84,475	-
	-	-	-	(247,867)	-
	251	466,265	102,201	1,429,368	86,800
	-	-	-	217,414	-
	2 007	-	4 000	(11,650)	-
	2,997 16,329	-	4,909	11,945 16,329	
	10,329	_	- 1,711	15,526	10,291
	_	- -	- 1,711	10,934	10,271
			226,981	1,013,249	-
	35,362	-		174,375	_
	-	-	8,360	21,247	-
	-	1,314	1,740	177,130	263
	59,477	-	-	70,784	-
	114,416	467,641	430,457	4,825,925	97,354
	2,522	8,857	143,142	2,616,020	25,820
	19,873	45,242	239,601	1,371,098	51,864
	1,821	8,799	30,199	171,444	5,526
	414	157	8,040	235,611	16,290
	-	-	3,537	21,557	3
	72,090	-	19,375	91,465	-
	-	287,266	776	288,114	6
	96,720	350,321	444,670	4,795,309	99,509
	17,696	117,320	(14,213)	30,616	(2,155)
			00.444	00.444	
	-	-	39,446	39,446	-
	-	2,170	1,104 5,548	1,174 159,037	3 521
		2,170	3,340	2,918	J21
	-	-	384	10,746	-
	_	_	1,268	99,209	_
		(51,278)	-	(74,582)	
	_	(31,270)	- -	(74,302)	174
	_	(25)	(1,200)	(9,666)	572
	-		16	16	-
	-	-	(793)	(44,745)	(1,772)
	-	-	(89)	(89)	(146)
	-	-	-	17,488	-
	-	(49,133)	45,684	200,952	(648)
	17,696	68,187	31,471	231,568	(2,803)
	-	-	1,635	59,745	1,124
	162	- ((0.400)	3,847	138,461	1,551
	(27)	(68,100)	(6,672)	(78,774)	(4,113)
	135	(68,100)	(1,190)	119,432	(1,438)
	17,831	87	30,281	351,000	(4,241)
	182,020	2,584	357,835	4,456,800	25,982
\$	199,851	\$ 2,671	\$ 388,116	\$ 4,807,800	\$ 21,741

### STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2007

(DOLLARS IN THOUSANDS)	HIGHER	
	EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Tuition, Fees, and Student Loans	\$ 1,199,752	\$ -
Fees for Service	1,040,121	-
Sales of Products	1,363	-
Gifts, Grants, and Contracts	1,045,308	15,018
Loan and Note Repayments	16,813	-
Unemployment Insurance Taxes	-	422,515
Income from Property	24,177	-
Other Sources	67,220	-
Cash Payments to or for:		
Employees	(2,367,669)	-
Suppliers	(810,537)	-
Sales Commissions and Lottery Prizes	-	-
Unemployment Benefits	-	(306,328)
Scholarships	(51,190)	-
Others for Student Loans and Loan Losses	(15,109)	-
Other Governments	(18,020)	-
Other	(71,404)	(69)
NET CASH PROVIDED BY OPERATING ACTIVITIES	60,825	131,136
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers-In	134,452	_
Transfers-Out	(3,975)	_
Receipt of Deposits Held in Custody	359,118	_
Release of Deposits Held in Custody	(336,216)	-
Gifts for Other Than Capital Purposes	97,812	_
Intergovernmental Distributions	(23,304)	_
NonCapital Debt Proceeds	250	-
NonCapital Debt Service Payments	(167)	_
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	227,970	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(607,314)	-
Capital Contributions	13,401	-
Capital Gifts, Grants, and Contracts	19,998	-
Proceeds from Sale of Capital Assets	1,277	-
Capital Debt Proceeds	148,933	-
Capital Debt Service Payments	(47,157)	-
Capital Lease Payments	(5,704)	-
NET CASH FROM CAPITAL RELATED FINANCING ACTIVITIES	(476,566)	-

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

(Continued)

## BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS

## GOVERNMENTAL ACTIVITIES

COLLEGEINVEST	STATE LOTTERY	OTHER ENTERPRISE	TOTALS	SERVICE FUNDS
\$ -	\$ -	\$ 336	\$ 1,200,088	\$ 10
1,263	-	171,502	1,212,886	85,353
93	463,839	47,829	513,124	1,658
36,176 498,839	-	225,629	1,322,131 515,652	156
490,039	-	-	422,515	-
		2,094	26,271	10,330
-	1,376	18,812	87,408	276
(2,401)	(8,494)	(99,252)	(2,477,816)	(23,256)
(21,767)	(20,847)	(155,639)	(1,008,790)	(59,604)
-	(314,572)	(5,444)	(320,016)	(831)
-	-	-	(306,328)	-
- (669,455)	-	- (156,435)	(51,190) (840,999)	-
(009,455)		(3,528)	(21,548)	(3)
-	(34)	(3,429)	(74,936)	(98)
(157,252)	121,268	42,475	198,452	13,991
1/2		2.047	120 4/1	4 554
162 (27)	- (68,100)	3,847 (6,672)	138,461 (78,774)	1,551 (4,113)
(27)	(08,100)	31	359,149	(4,113)
-	_	(56)	(336,272)	-
-	-	998	98,810	-
-	(51,373)	-	(74,677)	
506,000	-	3,291	509,541	-
(133,740)	-	(340)	(134,247)	
372,395	(119,473)	1,099	481,991	(2,562)
(77)	(125)	(21,481)	(628,997)	(15,760)
-	-	-	13,401	-
-	-	- 10.107	19,998	- 10.704
-	-	10,137 4	11,414 148,937	10,784 995
-	-	(4,436)	(51,593)	995 (13,958)
_	_	(267)	(5,971)	(2,016)
(77)	(125)	(16,043)	(492,811)	(19,955)

### STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2007

(Continued)

<del></del>		
(DOLLARS IN THOUSANDS)	HIGHER	
	EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	120,817	24,188
Proceeds from Sale/Maturity of Investments	80,338	-
Purchases of Investments Increase(Decrease) from Unrealized Gain(Loss) on Invesments	(10,180)	-
	4,653	24 100
NET CASH FROM INVESTING ACTIVITIES	195,628	24,188
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	7,857	155,324
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	694,484	455,792
CASH AND POOLED CASH, FISCAL YEAR END	\$ 702,341	\$ 611,116
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (192,793)	\$ 102,606
Adjustments to Reconcile Operating Income (Loss)		
to Net Cash Provided by Operating Activities:	227.000	
Depreciation Investment/Rental Income and Other Revenue in Operating Income	227,000	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	- 28,577	-
Loss on Disposal of Capital Assets	6	
Compensated Absences	14,190	-
Interest and Other Expense in Operating Income	3,362	-
Net Changes in Assets and Liabilities Related to Operating Activities:		
(Increase) Decrease in Operating Receivables	(44,610)	23,574
(Increase) Decrease in Inventories	(2,222)	-
(Increase) Decrease in Other Operating Assets	(3,437)	538
Increase (Decrease) in Accounts Payable Increase (Decrease) in Other Operating Liabilities	10,180	4,418
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 60,825	\$ 131,136
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 60,825	\$ 131,130
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:		
Capital Assets Funded by the Capital Projects Fund	28,668	_
Capital Assets Acquired by Grants or Donations and Payable Increases	3,883	-
Unrealized Gain/(Loss) on Investments and Interest Receivable Accruals	3,349	
Gain/(Loss) on Disposal of Capital Assets	(8,798)	
Amortization of Debt Valuation Accounts and Interest Payable Accruals	70	-
Assumption of Capital Lease Obligation or Mortgage	12,098	-

## BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS

## GOVERNMENTAL ACTIVITIES

COLLEGEINVEST	STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
16,544	2,054	9,215	172,818	499
3,216,494	-	-	3,296,832	-
(3,449,497) 100	- 199	- 1,242	(3,459,677) 6,194	- 22
(216,359)	2,253	10,457	16,167	521
(210,339)	2,233	10,437	10,107	
(1,293)	3,923	37,988	203,799	(8,005)
12,437	31,261	182,874	1,376,848	30,880
\$ 11,144	\$ 35,184	\$ 220,862	\$ 1,580,647	\$ 22,875
\$ 17,696	\$ 117,320	\$ (14,213)	\$ 30,616	\$ (2,155)
414	157	8,040	235,611	16,290
(19,326)	-	(4,909)	(24,235)	-
-	-	41,656	70,233	186
- 66	- (7)	707 526	713 14,775	205
72,090	( <i>1</i> )	1,435	76,887	509
(229,435)	(2,542)	(3,607)	(256,620)	24
- 700	101 (217)	(133) (237)	(2,254) (3,191)	(144) 12
2,385	81	8,171	31,747	(1,157)
(1,842)	6,375	5,039	24,170	221
\$ (157,252)	\$ 121,268	\$ 42,475	\$ 198,452	\$ 13,991
-	-	1,140	29,808	40
=	-	495	4,378	-
1,025	- (25)	- (20()	4,374	
-	(25)	(386)	(9,209) 70	563
	_	801	12,899	11,020

# STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS JUNE 30, 2007

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST		PRIVATE PURPOSE TRUST		AGENCY
ASSETS:					
Current Assets:					
Cash and Pooled Cash	\$	6,152	\$ 156,739	\$	324,272
Taxes Receivable, net		-	-		121,215
Other Receivables, net		10,272	10,774		643
Due From Other Funds		13,814	1,400		6,349
Inventories		-	-		2
Prepaids, Advances, and Deferred Charges		13	-		-
Noncurrent Assets:					
Investments:					
Government Securities		_	13,129		_
Corporate Bonds		-	11,105		_
Asset Backed Securities		_	13,325		_
Mortgages		_	22,153		_
Mutual Funds		383,614	3,228,674		_
Other Investments		5,356	23,550		_
Other Long-Term Assets		-	-		15,847
TOTAL ASSETS		419,221	3,480,849		468,328
LIABILITIES: Current Liabilities:					
Tax Refunds Payable		-	-		839
Accounts Payable and Accrued Liabilities		10,856	52,825		2,349
Due To Other Governments		· -	· -		216,998
Due To Other Funds		_	38		· _
Deferred Revenue		_	251		_
Claims and Judgments Payable		17,547	_		646
Other Current Liabilities		-	_		196,276
Noncurrent Liabilities:					,
Deposits Held In Custody For Others		_	1,414		51,131
Accrued Compensated Absences		52			-
Other Long-Term Liabilities		-	2,745		89
TOTAL LIABILITIES		28,455	57,273		468,328
NET ACCETO					
NET ASSETS:					
Held in Trust for:					
Pension/Benefit Plan Participants		385,870	-		-
Individuals, Organizations, and Other Entities		-	3,423,576		-
Unrestricted		4,896	-		-
TOTAL NET ASSETS	\$	390,766	\$ 3,423,576	\$	-

# STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS FOR THE YEAR ENDED JUNE 30, 2007

(DOLLARS IN THOUSANDS)	NSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST
ADDITIONS:		
Additions By Participants	\$ -	\$ 1,025,049
Member Contributions	113,663	-
Employer Contributions	124,065	-
Investment Income/(Loss)	48,912	391,098
Employee Deferral Fees	2,001	-
Unclaimed Property Receipts	-	52,338
Other Additions	 21,545	2,396
TOTAL ADDITIONS	310,186	1,470,881
DEDUCTIONS:		
Distributions to Participants	-	313,861
Benefits and Withdrawals	33,471	-
Health Insurance Premiums Paid	63,948	-
Health Insurance Claims Paid	104,886	-
Other Benefits Plan Expense	17,998	-
Payments in Accordance with Trust Agreements	-	330,865
Administrative Expense	981	-
Other Deductions	30,600	-
Transfers-Out	 120	1,717
TOTAL DEDUCTIONS	252,004	646,443
CHANGE IN NET ASSETS	58,182	824,438
NET ASSETS AVAILABLE:		
FISCAL YEAR BEGINNING	332,584	2,599,138
FISCAL YEAR ENDING	\$ 390,766	\$ 3,423,576

# STATEMENT OF NET ASSETS COMPONENT UNITS JUNE 30, 2007

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO HOSPITAL AUTHORITY	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	UNIVERSITY OF COLORADO FOUNDATION	
ASSETS:					
Current Assets:		4 00 105			
Cash and Pooled Cash	\$ 23,869	\$ 90,135	\$ 2,122	\$ 8,920	
Investments Tayos Peccivable, not	-	-	293	-	
Taxes Receivable, net Contributions Receivable, net	-	-	293	12,811	
Other Receivables, net	86,145	68,872	72	1,540	
Due From Other Governments	-	2,335	-	1,540	
Inventories	9,612	-			
Prepaids, Advances, and Deferred Charges	8,734	_	9	412	
Total Current Assets	128,360	161,342	2,496	23,683	
Total Current Assets	120,300	101,342	2,490	23,003	
Noncurrent Assets:					
Restricted Cash and Pooled Cash	-	134,618	-	5,995	
Restricted Investments	176,450	372,885	-	-	
Restricted Receivables	5,478	6,443	-	-	
Investments	200,961	-	-	749,493	
Contributions Receivable, net	-	-	-	11,966	
Other Long-Term Assets	18,229	1,148,019	249	1,433	
Depreciable Capital Assets and Infrastructure, net	345,059	23	136,434	65,165	
Land and Nondepreciable Infrastructure	112,568	-	18,176	-	
Total Noncurrent Assets	858,745	1,661,988	154,859	834,052	
TOTAL ASSETS	987,105	1,823,330	157,355	857,735	
LIABILITIES: Current Liabilities: Accounts Payable and Accrued Liabilities Due To Other Governments Deferred Revenue	65,016 - -	16,926 9,317 786	8 -	5,998 - 529	
Compensated Absences Payable	11,946	-			
Claims and Judgments Payable	-	<u>-</u>	_	_	
Leases Payable	_	_	_	280	
Notes, Bonds, and COP's Payable	7,600	48,230	-	1,000	
Other Current Liabilities	10,176	219,118	-	9,333	
Total Current Liabilities	94,738	294,377	8	17,140	
Noncurrent Liabilities:					
Deposits Held In Custody For Others	-	-	-	109,072	
Capital Lease Payable	-	-	-	4,556	
Notes, Bonds, and COP's Payable	543,073	1,052,673	-	67,030	
Other Long-Term Liabilities	2,125	33,831	=	26,446	
Total Noncurrent Liabilities	545,198	1,086,504	-	207,104	
TOTAL LIABILITIES	639,936	1,380,881	8	224,244	
		, ,	-	-7	
IET ASSETS: nvested in Capital Assets, Net of Related Debt destricted for:	68,927	23	154,611	(7,701)	
Emergencies Permanent Funds and Endowments:	-	-	24	-	
Expendable	-	-	-	388,173	
Nonexpendable		-	-	206,509	
Court Awards and Other Purposes Inrestricted	7,823 270,419	372,927 69,499	491 2,221	46,510	

TOTAL	AL	VEN CAI AUTI		COVER COLORADO		UNIN OF NO COL FOUN	ORADO OOL OF INES IDATION	SCH(	ORADO ATE ERSITY DATION	ST UNIV
\$ 131,315	,843	\$	1,608	\$	2	\$	1,284	\$	532	\$
46,498 293	-		46,498 -		-		-		-	
23,984	,462		-		513		2,106		4,092	
161,607	-		2,450		585		1,943		-	
2,335 9,612	-		-		-		-		-	
9,585	-		-		-		-		430	
385,229	,305		50,556		1,100		5,333		5,054	
						,				
141,328	_		-		-		715		-	
549,335	-		-		-		-		-	
11,921	-		-		-		-		-	
1,420,438 42,210	,298		-		94,391 367		170,005 5,483		200,290 24,394	2
1,200,008	,581		-		91		265		2,141	
548,511	-		20		1,181		359		270	
130,744	-		-		-		-		-	
4,044,495	,879		20		96,030		176,827		227,095	2
4,429,724	,184		50,576		97,130		182,160		232,149	2
90,429	15		240		464		1,047		715	
9,317	-		-		-		-		-	
7,540 11,946	,462		1,763		-		-		-	
7,621	-		7,621		-		-		-	
280	-		-		-		-		-	
56,830 238,627	-		-		-		-		-	
422,590	,477		9,624		464		1,047		715	
·	-									
134,993	_		-		691		12,215		13,015	
4,556	-		-		-		-		-	
1,662,776	-		-		- 170		10 102		1 020	
103,367	,580		-		173		10,192		1,020	
1,905,692	,580		-		864		22,407		14,035	
2,328,282	,057		9,624		1,328		23,454		14,750	
217,690	_		20		1,181		359		270	
24	_		-		-		-		-	
					00.07:		40.000		45.000	
585,558 431,195	-		-		38,374 46,345		43,208 98,571		15,803 79,770	•
422,173	_		40,932		-		-			
444,802	,127		-		9,902		16,568		21,556	
\$ 2,101,442	,127	\$	40,952	\$	95,802	\$	158,706	\$	217,399	\$ 2

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2007

(DOLLARS IN THOUSANDS)		UNIVERSITY OF COLORADO HOSPITAL AUTHORITY		COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY		DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT		UNIVERSITY OF COLORADO FOUNDATION	
DPERATING REVENUES:	_		_	45.000	_		_		
Fees Sales of Goods and Services	\$	- 524,477	\$	45,302	\$	-	\$	7,462	
Investment Income (Loss)		524,477		20,175		-		-	
Rental Income		-		-		533		5,092	
Gifts and Donations		-		-		-		63,522	
Federal Grants and Contracts		-		3,272		-		-	
Other		18,307		111		-		1,897	
TOTAL OPERATING REVENUES		542,784		68,860		533		77,973	
OPERATING EXPENSES:									
Salaries and Fringe Benefits		238,830		1,115		-		-	
Operating and Travel		124,217		5,972		85		18,522	
Cost of Goods Sold		102,559		-		-		-	
Depreciation and Amortization		37,427		13		3,883		-	
Debt Service Foundation Program Distributions		-		51,764		-		- 66,106	
<u> </u>									
TOTAL OPERATING EXPENSES		503,033		58,864		3,968		84,628	
DPERATING INCOME (LOSS)		39,751		9,996		(3,435)		(6,655)	
NONOPERATING REVENUES AND (EXPENSES):									
Taxes		-		-		203		-	
Investment Income (Loss)		20,397		-		78		68,548	
Gifts and Donations		- (2,020)		-		-		-	
Gain/(Loss) on Sale or Impairment of Capital Assets  Debt Service		(3,020)		-		-		-	
Other Expenses		(1,431)		-		(625)		- -	
Other Revenues		-		-		390		-	
TOTAL NONOPERATING REVENUES (EXPENSES)		(1,557)		-		46		68,548	
NICOME (LOCS) REFORE CONTRIBUTIONS AND TRANSFERS		20.104		9,996		(2.200)		61,893	
NCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	-	38,194		9,996		(3,389)		61,893	
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:									
Capital Contributions		2,987		12,503		-		3,500	
TOTAL CONTRIBUTIONS AND TRANSFERS		2,987		12,503		-		3,500	
CHANGE IN NET ASSETS		41,181		22,499		(3,389)		65,393	
TOTAL NET ASSETS - FISCAL YEAR BEGINNING		305,988		419,950		160,736		568,098	
TOTAL NET ASSETS - FISCAL YEAR ENDING	\$	347,169	\$	442,449	\$	157,347	\$	633,491	

COLORADO STATE UNIVERSITY FOUNDATION		COLORADO SCHOOL OF MINES FOUNDATION		UNIVERSITY OF NORTHERN COLORADO FOUNDATION		COVER COLORADO		VENTURE CAPITAL AUTHORITY		TOTAL	
\$	-	\$	-	\$	_	\$	25,078	\$	-	\$	77,842
	-		-		-		-		- (222)		524,477
	-		_		-		-		(893)		19,282 5,625
	43,766		15,184		3,910		-		-		126,382
	-		-		-		2,019		-		5,291
	202		(147)		1,535						21,905
	43,968		15,037		5,445		27,097		(893)		780,804
	_		_		_		-		_		239,945
	1,604		2,453		1,967		40,059		30		194,909
	-		-		-		-		-		102,559
	-		-		-		7		-		41,330 51,764
	26,133		13,069		7,058		-		-		112,366
	27,737		15,522		9,025		40,066		30		742,873
	16,231		(485)		(3,580)		(12,969)		(923)		37,931
	-		-		_		-		-		203
	17,584		17,409		8,505		2,025		214		134,760
	-		-		-		5,727		4,525		10,252 (3,020)
	-		-		-		-		-		(17,503)
	-		-		-		-		-		(2,056)
	-		-		-		7,744		-		8,134
	17,584		17,409		8,505		15,496		4,739		130,770
	33,815		16,924		4,925		2,527		3,816		168,701
	-		-		-		-				18,990
	-		-		-		-		-		18,990
	33,815		16,924		4,925		2,527		3,816		187,691
	183,584		141,782		90,877		38,425		4,311		1,913,751
\$	217,399	\$	158,706	\$	95,802	\$	40,952	\$	8,127	\$	2,101,442

# STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - COMPONENT UNITS RECAST TO THE STATEMENT OF ACTIVITIES FORMAT FOR THE YEAR ENDED JUNE 30, 2007

(DOLLARS IN THOUSANDS)	Statement of Revenues, Expenses, and Changes in Net Assets	Statement of Activities	Statement of Activities Amounts	
	Totals	Treatment		
OPERATING REVENUES:				
Fees	\$ 77,842	Charges for Services	\$ 77,842	
Sales of Goods and Services	524,477	Charges for Services	524,477	
Investment Income (Loss)	19,282	Unrestricted Investment Earning	19,282	
Rental Income	5,625	Charges for Services	5,625	
Gifts and Donations	126,382	Operating Grants & Contributions	126,382	
Federal Grants and Contracts	5,291	Operating Grants & Contributions	5,291	
Other	21,905	Charges for Services Operating Grants & Contributions	18,418 3,487	
TOTAL OPERATING REVENUES	780,804			
OPERATING EXPENSES:		_		
Salaries and Fringe Benefits	239,945	Expenses	239,945	
Operating and Travel	194,909	Expenses	194,909	
Cost of Goods Sold	102,559	Expenses	102,559	
Depreciation and Amortization	41,330	Expenses	41,330	
Debt Service	51,764	Expenses	51,764	
Foundation Program Distributions TOTAL OPERATING EXPENSES	112,366 742,873	Expenses	112,366	
OPERATING INCOME (LOSS)	37,931			
NONOPERATING REVENUES AND (EXPENSES):				
Taxes	203	Sales & Use Taxes	203	
Investment Income (Loss)	134,760	Unrestricted Investment Earning Operating Grants & Contributions	53,196 81,564	
Gifts and Donations	10,252	Payment from State	10,252	
Gain/(Loss) on Sale or Impairment of Capital Assets	(3,020)	Expenses	(3,020)	
Debt Service	(17,503)	Expenses	(17,503)	
Other Expenses	(2,056)	Expenses	(2,056)	
Other Revenues	8,134	Payment from State Capital Grants & Contributions	7,744 390	
TOTAL NONOPERATING REVENUES (EXPENSES)	130,770	·		
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	168,701			
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	18,990	Operating Grants & Contributions Capital Grants & Contributions Payment from State	13,222 2,268 3,500	
TOTAL CONTRIBUTIONS AND TRANSFERS	18,990			
CHANGE IN NET ASSETS	187,691		187,691	
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	1,913,751		1,913,751	
TOTAL NET ASSETS - FISCAL YEAR ENDING	\$ 2,101,442		\$ 2,101,442	

### NOTES TO THE FINANCIAL STATEMENTS

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

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

In Fiscal Year 2006-07 the state implemented GASB Statements No. 43 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. However, none of the postemployment benefit plans managed by the state qualify as irrevocable trust funds; therefore, they will be reported in the following year when GASB Statement No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pensions becomes effective.

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, expenditures/expenses during the reporting period. Actual results could differ from those estimates.

## NOTE 1 – GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

### **NOTE 2 – REPORTING ENTITY**

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

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

The following entities qualify as discretely presented component units:

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

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

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

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

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

University of Colorado Hospital Authority Chief Financial Officer Mail Stop F-401, P.O. Box 6506 Aurora, Colorado 80045-0506

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

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

University of Colorado Foundation 4740 Walnut Street Boulder, Colorado 80301

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

Colorado School of Mines Foundation, Inc. 923 16<sup>th</sup> Street Golden, Colorado 80401

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

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

Venture Capital Authority 1625 Broadway, Suite 1700 Denver, Colorado 80202

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

Pinnacol Assurance (formerly Colorado Compensation Insurance Authority)

Colorado Educational and Cultural Facilities Authority

Colorado Health Facilities Authority Colorado Institute of Technology

Colorado Agricultural Development Authority

Colorado Housing and Finance Authority

Colorado Sheep and Wool Authority

Colorado Beef Council Authority

Fire and Police Pension Association

Fire and Police Pension Association

The State Board of the Great Outdoors Colorado Trust Fund

Statewide Internet Portal Authority

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

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

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

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

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

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

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

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

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

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

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

by allocating the net revenue/expense of the Internal Service Fund to the function originally charged for the internal sale.

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

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

### NOTE 4 - BASIS OF PRESENTATION -FUND FINANCIAL STATEMENTS

### **Primary Government**

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

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

The state's major funds report the following activities:

### GOVERNMENTAL FUND TYPE:

### General Fund

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

### Public School Fund

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

and State Lands that are also distributed to the local school districts.

### Highway Users Tax Fund

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

### Capital Projects Fund

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

### State Education Fund

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

### PROPRIETARY FUND TYPE:

### **Higher Education Institutions**

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

### **Unemployment Insurance**

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

### CollegeInvest

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

### Lottery

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

open space purchases and recreational facilities throughout the state.

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

### GOVERNMENTAL FUND TYPE (NONMAJOR):

### Special Revenue Funds

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

### Debt Service Fund

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

### Permanent Funds

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

### PROPRIETARY FUND TYPE (NONMAJOR):

### **Enterprise Funds**

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

#### **Internal Service Funds**

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

#### FIDUCIARY FUND TYPE:

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

#### Pension and Benefit Trust Funds

In the basic financial statements, the state reports in a single column the activities related to resources being held in trust for members and beneficiaries of the Deferred Compensation Plan, the Defined Contribution Pension Plan, and Group Benefits Plan. (Individual financial statements of these plans are presented in Note 21). Participation in the defined contribution plan was previously limited to select employees - primarily legislators and elected officials, however, beginning January 1, 2006, the defined contribution plan became an option for current and newly hired state employees. Most state employees continue to be covered by the defined benefit plan operated by the Public Employees Retirement Association (see Note 19).

#### Private Purpose Trust Funds

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

#### Agency Funds

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

#### PRESENTATION OF INTERNAL BALANCES

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 passthroughs are not eliminated, but are shown as revenues and expenditures/expenses of the various funds. Substantially all other interfund transactions are classified as transfers-in or transfers-out after the revenues and expenditures/expenses are reported on each of the operating statements.

#### FUNCTIONAL PRESENTATION OF EXPENDITURES

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

#### General Government

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

#### Business, Community, and Consumer Affairs

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

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

#### 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, Department of Health Care Policy and Financing, and the Office of the Colorado Benefits' Management System in the Governor's Office

#### **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, 2006.

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, 2006.

The Denver Metropolitan Major League Baseball Stadium District uses proprietary fund accounting in preparation of its financial statements. CoverColorado and the Venture Capital Authority use proprietary accounting in preparing their financial statements, and they 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, 2006.

The four foundations presented as component units all follow Financial Accounting Standards Board statements applicable to not-for-profit entities. The foundation's audited not-for-profit financial statements have been recast into the governmental format as allowed by GASB Statement No. 39. Financial information for the four foundation component units is presented as of June 30, 2006.

#### NOTE 5 - BASIS OF ACCOUNTING

#### **Primary Government**

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

#### **GOVERNMENT-WIDE STATEMENTS**

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

 Derived tax revenues are recognized when the underlying exchange transaction occurs.

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

#### FUND LEVEL FINANCIAL STATEMENTS

#### Governmental Funds

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

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

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

Expenditures are recognized in governmental funds when:

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

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

#### Proprietary and Fiduciary Funds

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

#### **Component Units**

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

Both the Colorado Water Resources and Power Development Authority and Venture Capital Authority use the accrual basis of accounting under which revenues are recognized when earned and expenses are recognized when the related liability is incurred. Neither authority has elected to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989.

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

#### CASH AND POOLED CASH

#### **Primary Government**

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

#### **Component Units**

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

Colorado Water Resources and Power Development Authority, CoverColorado, Colorado State University Foundation, and the Venture Capital Authority each consider highly liquid investments with an initial maturity of three months or less to be cash equivalents.

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

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

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

#### В. RECEIVABLES

#### **Component Units**

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

#### C. **INVENTORY**

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

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

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

#### 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 15). Investments that do not have an established market are reported at their estimated fair value. The State Treasurer records

investment interest in individual funds based on book yield as adjusted for amortization of investment premiums and discounts.

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

#### E. CAPITAL ASSETS

#### **Primary Government**

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

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

#### (Amounts in Years)

Asset Class	Shortest Period Used	Longest Period Used
Land Improvements	5	50
Buildings	5	100
Leasehold Improvements	3	50
Equipment	3	50
Software	1.5	23
Library Books	5	20
Other Capital Assets	10	20
Infrastructure	25	25

Infrastructure owned by the Colorado Department of Transportation, including infrastructure acquired prior to Fiscal Year 1980-81, is reported using the modified approach, under which maintenance and preservation costs are expenditures and depreciation is not recorded (see Note RSI-2 to the Required Supplementary Information, page 104, for more information on the modified approach). Other infrastructure, which is primarily owned by the Department of Natural Resources, is capitalized and depreciated.

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

#### **Component Units**

The University of Colorado Hospital Authority capitalizes interest during the construction of capital assets. The authority depreciates capital assets over the estimated useful life of the asset class using the straight-line method. The hospital's long-lived assets consist primarily of leasehold improvements, buildings and building improvements, and equipment. The hospital recorded an impairment loss of approximately \$3.0 million in Fiscal Year 2005-06.

#### F. DEFERRED REVENUE

Under reimbursement agreements, receipts from the federal government and other program sponsors are deferred until the related expenditures are made. On the fund level financial statements, revenues related to taxes receivable that the state does not expect to collect until after the following fiscal year are deferred. However, 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. In no event can a classified employee accumulate more than 42 days of annual leave at the end of a fiscal year. Employees are paid 100 percent of their annual leave balance upon leaving state service.

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

#### **Component Units**

Employees of the University of Colorado Hospital Authority use paid time off (PTO) for vacation, holidays, short-term illness, and personal absences. Extended illness pay (EIP) is used to continue salary during extended absences due to medical disability, 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.

#### INSURANCE

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

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

#### I. NET ASSETS AND FUND BALANCES

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

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

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

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

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

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

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

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

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

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

Restricted for Court Awards and Other Purposes - The state operates certain funds that were established at the direction of federal courts, state courts, or other external parties. The net assets of these funds are limited as to use by the court or the external party. Included in this restriction is the remaining \$21.7 million balance of the The state received \$73.1 million and \$73.2 million in Fiscal Years 2003-04 and 2002-03, respectively, from the federal government as a result of the Jobs and Growth Tax Relief Reconciliation Act of 2003. The Act restricts the use of the funds to "the types of expenditures permitted under the most recently approved budget for the state." The Colorado Supreme Court opined that legislation could exclude these funds from the definition of custodial moneys that would qualify them as restricted. However, the related legislation only applied this authority to these types of funds prospectively. Therefore, the unexpended net assets of these funds are reported as restricted and their use is directed by the governor.

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

The fund balance of the General Fund is reserved as provided by statute and as provided by generally accepted accounting principles. The unreserved and undesignated portion of fund equity on the budgetary basis (see page 101) remaining at year end is required by legislation to be transferred in the following year to the Highway Fund and the Capital Projects Fund in the ratio of two-thirds to one-third.

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

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

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

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

Reserve for Statutory Purposes – The statutory reserve in the Capital Projects Fund is the fund balance of the Corrections Expansion Reserve and the balance of certain other projects that are allowed to maintain a fund balance in the Capital Projects fund. These projects are not required to revert excess cash revenue to the Capital Projects Fund. In the General Fund this reserve normally represents the requirement in Colorado Revised Statutes 24-75-201.1(d) to reserve four percent of General Fund appropriations for expenditures, and it is only presented at the full four percent amount when the unreserved undesignated fund balance is greater than zero.

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

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

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

<u>Unreserved - Designated for Unrealized Investment Gains</u> In all fund types, this designation represents the amount by which the fair value of investments exceeds amortized cost. It is not equivalent to the net change in fair value of investments. This reserve is only shown when a governmental fund category has net unrealized gains.

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

#### A. PROGRAM REVENUES

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

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

#### B. INDIRECT COST ALLOCATION

The state allocates indirect costs on the government-wide Statement of Activities. In general, the allocation reduces costs shown in the general government functions and increases costs in the other functions and business-type activities (BTAs). The allocation is based on the Statewide Indirect Cost Allocation Plan Agreement with the federal government that was approved during Fiscal Year 2006-07. The Plan uses cost from Fiscal Year 2004-05 that will be incorporated in state agency indirect cost rates and plan to be charged to federal grants in Fiscal Year 2008-09. The allocation of costs between the governmental activities and BTAs would normally result in an adjustment of internal balances on the governmentwide Statement of Net Assets. However, since the amount allocated from the governmental activities to the BTAs is small, an offsetting adjustment is made to the Transfers line item at the bottom of the Statement of Activities.

#### C. OPERATING REVENUES AND EXPENSES

#### **Primary Government**

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

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

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

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

#### **Component Units**

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

#### NOTES 8 and 9 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### **NOTE 8 – LEGAL COMPLIANCE**

#### A. OVEREXPENDITURES

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

If general funded expenditures exceed the general funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Agencies are not allowed to use general-purpose revenue to support an expenditure/expense that was appropriated from cash or federal funds. Budget-to-actual comparisons are presented in the Required Supplementary Information Section beginning on page 102.

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

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

Total overexpenditures at June 30, 2007, were \$5,800,344 as described below.

#### Medicaid Overexpenditures:

 High Risk Pregnant Women Program – The Department of Human Services Alcohol and Drug Abuse Division overexpended this line item by \$125,489 budgeted as cash funds exempt from TABOR. The Department of Health Care Policy and Financing overexpended the same line item by \$62,745 of general funds which represents the match for the Medicaid funds paid to the Department of Human Services. The overexpenditure occurred in both instances primarily because a change in statute increased the benefit period from 60 days to one year and because current year cases required more residential and less outpatient services. This program is an entitlement program driven by the eligible population.

- Services for Children and Families -Department of Human Services Division of Developmental Disabilities overexpended this line item by \$330,313 that was appropriated as cash funds exempt from TABOR. The overexpenditure occurred because two separate supplemental reductions in the line item collectively exceeded the actual amount by which expenditures were less than the original estimate. Because this activity is first appropriated to the Department of Health Care Policy and Financing as general fund match for federal Medicaid funding, the overexpenditure at the Department of Human Services also results in a general fund overexpenditure of \$239,285 in the Services for Children and Families – Medicaid Funding line item at the Department of Health Care Policy and Financing.
- Medicaid Mental Health Capitation Payments The Department of Health Care Policy and Financing overexpended this line item by \$1,474,141 of general funds. This program is an entitlement program driven by the eligible population; the department reported unexpectedly large increases in the foster children and the disabled adults categories of the client population.
- Medical Services Premiums The Department of Health Care Policy and Financing overexpended this line item by \$1,840,815 of general funds, which amounts to .2 percent of the line item. This program is an entitlement program driven by the eligible population. The department reported an increase in the utilization of acute care services, and a migration of clients from managed care to fee-for-service providers

where increased utilization results in increased variable costs

Department of Human Services Overexpenditures Other Than Medicaid:

- Aging and Adult Services Aid-to-the-Needy <u>Disabled</u> – The Department of Human Services overexpended this line item by \$657,711 of general funds. The original appropriation authorized spending a mix of general funds and cash funds exempt from TABOR. However, the cash fund exempt revenues did not materialize, and the expenditure therefore became general funded. The overexpenditure was approximately 70 percent caused by the underearning of the cash exempt revenue that was expected from clients reimbursing the state for advances of Social Security benefits. The remaining 30 percent of the overexpenditure was the result of a spike in initial benefits advances that resulted from delays in claims processing at the county offices that administer the program.
- Regional Centers Operating Expense The Department of Human Services Regional Centers overexpended this line item by \$112,253 of cash funds exempt from TABOR. The overexpenditure occurred because of increased motor pool charges related to fuel and maintenance costs increases and a one-time settlement payment.

Statewide Overexpenditures Subject to the \$1 million Limit:

- Executive Director's Office Fleet Management Lease
   <u>Purchase</u> The Department of Personnel & Administration overexpended this line item by \$18,748 of cash funds exempt from TABOR. The overexpenditure occurred because of a miscalculation in the supplemental budget request process and will be corrected in the next supplemental request.
- Auraria Higher Education Center Auxiliary Revenue - The Auraria Higher Education Center (AHEC) overexpended this line item by \$825,051 that was appropriated as cash funds. The overexpenditure occurred because AHEC's tenants requested and paid for more renovations and administrative costs than AHEC included in its budget request. In the normal course of business, higher education internal costs similar to these are not appropriated, but they are appropriated in this instance because AHEC's tenants are qualified TABOR enterprises and receipts from these tenants must be counted for TABOR purposes. AHEC intends to address this problem by requesting qualified TABOR status for the renovations service center; however, this will not solve the administrative costs reimbursement portion of the problem.
- Nurse Home Visitor Program The Department of Public Health & Environment overexpended this line item by \$113,793 of cash funds exempt from TABOR.

The overexpenditure occurred because the department miscalculated the effect of the statutory requirement to defer certain Medicaid related costs until the following year for budget purposes. In Fiscal Year 2006-07, a greater amount of expenditures were moved from the prior year into the current year than were moved from the current year into the following year.

Deficit net assets in cash funds are considered to be overexpenditures. In the following instance, the net asset deficit occurred in a nonappropriated fund. As a result this overexpenditure is not a violation of the legal budget. The Department of Personnel & Administration's Group Benefits Plan, a Pension and Other Employee Benefits Trust Fund, had a net asset deficit of \$2,197,622 at June 30, 2007. The fund accounts for employee health benefits and accrues benefit claims based on actuarial analysis. The fund is in its second year of self-insurance funding, and employee health claims have exceeded estimates.

The General Fund Surplus Schedule (page 101) shows a negative reversion of \$1.2 million for the Department of Revenue. Negative reversions normally represent an overexpenditure; however, in this instance the amount is not an overexpenditure. The reversion amount is related to \$9.0 million of excess expenditures of the Old Age Pension program, which is continuously appropriated in statute but for which an estimate is shown in the appropriations act. The Department does not record the additional continuously appropriated spending authority for the excess expenditure so that the General Fund Surplus Schedule and the General Fund Reversion Report will show that the appropriations act estimate was less than the actual expenditures.

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

#### B. TAX, SPENDING, AND DEBT LIMITATIONS

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

Since its passage in 1992, TABOR has required that annual revenues in excess of the constitutional limitation be refunded to the taxpayers unless voters approved otherwise. The state first exceeded the TABOR revenue

growth limit in Fiscal Year 1996-97, and it continued to exceed the limit each year until Fiscal Year 2001-02 resulting in a cumulative required refund of \$3,250.2 million for that period. State revenues did not exceed the TABOR limit in Fiscal Years 2001-02, 2002-03, or 2003-04, but again exceeded the limit resulting in a \$41.1 million required refund for Fiscal Year 2004-05.

In the 2005 general election, voters approved Referendum C – a measure referred to the ballot by the Legislature that authorizes the state to retain revenues in excess of the limit for the five Fiscal Years 2005-06 through 2009-10. As a result, there is no TABOR refund required for Fiscal Year 2006-07 even though the TABOR nonexempt revenues exceeded the TABOR limit by \$1,311.6 million. The \$0.7 million TABOR refund liability shown on the government wide Statement of Net Assets and the fund level Balance Sheet is the unrefunded portion of the Fiscal Year 2004-05 TABOR refund liability. Historically, unrefunded amounts continue to be distributed after the end of the fiscal year when returns with filing extensions and amended returns are processed. amount unrefunded through this process will be carried forward to the first year that a refund is paid after Fiscal Year 2009-10.

TABOR requires the state to reserve three percent of fiscal year nonexempt revenues for emergencies. In Fiscal Year 2006-07 this amount was \$289,363,244. At June 30, 2007, the financial net assets of the following funds were applied to the reserve, up to the limits set in the Long Appropriations Act:

- Major Medical Fund, part of the Labor Fund a nonmajor Special Revenue Fund – The \$40,000,000 designation by the Legislature has been reduced by \$6,240,000 because that amount was transferred out of the TABOR emergency reserve to the Disaster Emergency Fund per Governors' Executive Orders (See additional information below.)
- Subsequent Injury Fund, part of the Labor Fund a nonmajor Special Revenue Fund – \$40,000,000
- Worker's Compensation Cash Fund, part of the Labor Fund – a nonmajor Special Revenue Fund – \$12,000,000
- Wildlife Cash Fund, a portion of the nonmajor Wildlife Enterprise Fund \$100,000,000. The Wildlife Cash Funds net assets not invested in capital assets (net of related debt) total \$37,471,933, and that

amount is shown as restricted for emergencies on the *Combining Statement of Revenues, Expenses, and Changes in Net Assets* in the Comprehensive Annual Financial Report. The remaining \$62,528,067 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 \$82,096,932 of cash and receivables that are reported as restricted.

The 2007 session Long Appropriations Act, as amended by the 2008 session Long Appropriations Act, designated up to \$90,000,000 of state properties as the remainder of the emergency reserve. The estimate of the needed reserve was based on the December 2006 revenue estimate prepared by Legislative Council. Because the revenues subject to the TABOR reserve requirement were significantly more than estimated, the amount designate for the reserve was \$7,363,244 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 2006-07, under the direction of Governors' executive orders, the state transferred \$6,240,000 from the Major Medical Fund portion of the TABOR emergency reserve to the Disaster Emergency Fund to pay the cost of fighting wildfires and tornado damage mitigation in the state. As a result the ending emergency reserve has been reduced by the \$6,240,000. The Major Medical Fund is part of the Labor Fund – a nonmajor Special Revenue Fund.

#### NOTE 9 – UNRESTRICTED NET ASSETS DEFICITS

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

The State Fair Authority, a nonmajor Enterprise Fund, shows a deficit unrestricted net assets of \$856,743 on the *Combining Statement of Net Assets – Enterprise Funds*.

#### NOTE 10 through 18 - DETAILS OF ASSET ITEMS

#### NOTE 10 – CASH AND POOLED CASH

#### **Primary Government**

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

State agencies are authorized by various statutes to deposit funds in accounts outside the custody of the State Treasury. Legally authorized deposits include demand deposits and certificates of deposit. The state's cash management policy is to invest all 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 those amounts insured by federal insurance. Upon liquidation of a defaulting eligible depository, the statute requires the banking board to seize the eligible collateral, liquidate the collateral, and repay the public deposits to the depositing government.

Including restricted amounts, the Cash and Pooled Cash line on the financial statements includes \$5,396.2 million (\$5,415.3 at amortized cost) of claims of the state's funds on moneys in the treasurer's pooled cash. At June 30, 2007, the treasurer had invested \$5,315.7 million (fair value), held \$79.8 million of demand deposits and certificates of deposit, and had \$19.8 million receivable from the sale of investments that had not yet been settled.

At June 30, 2007 the state had cash deposit balances in all funds with a carrying value of \$1,056.8 million; this amount includes the \$79.8 million held as demand deposits and certificates of deposit in the treasurer's pool. Under the GASB Statement No. 40 definitions, \$87.6 million of the state's total bank balance of \$1,027.1 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 \$23.9 million at June 30, 2006, and a related bank balance of \$36.1 million. The balances are held in the authority's name and are insured or collateralized.

The Colorado Water Resources and Power Development Authority had cash deposits with a bank balance of \$552,552 of which \$100,000 was federally insured and \$452,552 was collateralized with the securities held by the pledging institution in a collateral pool, but not in the authority's name. The authority also reported as cash and cash equivalents \$60.8 million held by the State Treasurer in a Treasurer's Agency Fund and \$163.7 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. 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, 2006 the Denver Metropolitan Major League Baseball Stadium District had federally insured cash deposits with a bank balance of \$34,090. They also had \$2.1 million held by a major bank paying interest of 4.13 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 Colorado Venture Capital Authority had bank deposits of \$2,843,055 at December 31, 2006 – of that amount \$2,833,635 was not covered by federal deposit insurance.

## NOTE 11 – NONCASH TRANSACTIONS IN THE PROPRIETARY FUND TYPES

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

- Capital Assets Funded By the Capital Projects Fund Most capital construction projects funded by general revenues are accounted for in the Capital Projects Fund. Several of the state's Enterprise and Internal Service Funds receive capital assets funded and accounted for in this manner. These funds record Capital Contributions when the asset is received, and no cash transaction is reported on the Statement of Cash Flows. Certain state agencies are authorized to move general revenue cash to the Enterprise or Internal Service Fund for capital projects; when this occurs, a cash transaction is reported on the Statement of Cash Flows.
- Donation of Capital Assets Capital assets received as donations 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 recorded unrealized gains or losses on the investments underlying the treasurer's pooled cash in which they participate. The unrealized gains or losses on the treasurer's pool are shown as increases or decreases, respectively, in cash balances. The unrealized gains or losses on investments not held in the treasurer's pooled cash are shown as increases or decreases in investment balances, and therefore, are reported as noncash transactions. Note 15 shows the combined effect of these two sources of unrealized gains or losses.
- Loss on Disposal of Capital Assets When the cash received at disposal of a capital asset is less than the carrying value of the asset, a loss is recorded. This loss results in a reduction of the amount reported for capital assets on the *Statement of Net Assets*, but since no cash is exchanged for the loss amount, this portion of the transaction is reported as noncash.

- Amortization of Debt Related Amounts Amortization of bond premiums, discounts, issuance costs, and gain/loss on refunding adjusts future debt service amounts shown for both capital and noncapital financing activities. These transactions change the amount of capital or noncapital debt reported on the Statement of Net Assets. Since no cash is received or disbursed in these transactions, they are reported as noncash.
- Assumption of Capital Lease Obligation Although no cash is exchanged, entering a capital lease changes both the capital asset and related lease liability balances reported on the *Statement of Net Assets*.
   Therefore, these transactions are reported as noncash.

#### **NOTE 12 – RECEIVABLES**

#### **Primary Government**

The Taxes Receivable of \$1,037.9 million shown on the government-wide *Statement of Net Assets* primarily comprises:

- \$890.6 million, primarily of self-assessed income, estate, and sales tax recorded in the General Fund. In addition, \$133.7 million of tax receivable is expected to be collected after one year and is reported as an Other Long-Term Asset on the government-wide Statement of Net Assets these receivables are offset by deferred revenue on the Balance Sheet Governmental Funds,
- \$65.5 million recorded in nonmajor Special Revenue Funds, of which, approximately \$12.3 million is from gaming tax, \$17.6 million is severance tax, and \$34.0 million is insurance premium tax, and
- \$81.7 million of insurance premium tax recorded in the Unemployment Insurance Fund, a major Enterprise Fund.

In addition, \$47.0 million of Taxes Receivable, \$21.3 million of Other Receivables, and \$204.2 million of intergovernmental receivables were recorded in the Highway Users Tax Fund, a major Special Revenue Fund. All three items were reported as restricted receivables because the State Constitution restricts that portion of the Highway Users Tax Fund. The tax receivable was primarily fuel taxes while the intergovernmental receivable was primarily due from the federal government.

Taxes Receivable of \$14.1 million in the Tobacco Tax Fund, a portion of the nonmajor Tobacco Impact Mitigation Fund, are reported as restricted because they are authorized and their use is limited by the State Constitution.

The Other Receivables of \$372.3 million shown on the government-wide *Statement of Net Assets* are net of \$113.1 million in allowance for doubtful accounts and primarily comprise the following:

- \$187.0 million of student and other receivables of Higher Education Institutions, a major Enterprise Fund.
- \$53.2 million of receivables recorded in the General Fund, of which \$26.3 million is from interest receivable on investments. The Department of Health Care Policy and Financing recorded receivables of \$12.3 million related primarily to rebates from drug companies and overpayments to healthcare providers. The Colorado Mental Health Hospitals recorded \$9.7 million of patient receivables.
- \$89.3 million of receivables recorded by Other Governmental Funds including \$48.7 million of tobacco settlement revenues expected within the following year, \$11.8 million recorded by the Water Projects Fund, \$7.6 million receivable from the Great Outdoors Colorado program by the Resource Management Fund, and \$7.0 million of rent and royalty receivables recorded by the State Lands Funds.

In addition, \$1,389.5 million of student loan receivables of CollegeInvest, a major Enterprise Fund, are reported as restricted receivables that would otherwise be reported primarily as Other Long-Term Assets. These receivables are restricted to paying the debt service of bonds issued by CollegeInvest.

#### **Component Units**

The University of Colorado Hospital Authority's primary revenue source is patient service revenue of \$524.5 million, which it recorded net of third-party contractual allowances (\$874.4 million), indigent and charity care (\$117.0 million), provision for bad debt (\$58.5 million), and self-pay discounts (\$22.2 million). The hospital participates in the Colorado Disproportionate Share Hospital Program, and it received reimbursements from the state of \$29.4 million for Fiscal Year 2005-06. The hospital maintains a self-pay discount program to reduce uninsured patients' liabilities by up to 35 percent to a level more comparable to insured patients.

The University of Colorado Hospital Authority has a significant concentration of patient accounts receivable with Medicare (20 percent), Medicaid (10 percent), managed care (38 percent), other commercial insurance (4 percent), and self-pay and medically indigent (23 percent). However, the authority's management does not believe there are credit risks associated with these payors other than the self-pay and medically indigent category where the concentration of accounts remained consistent with the prior year at 23 percent. The authority continually monitors and adjusts its reserves and allowances associated with these receivables.

Net patient-service revenue under the Medicare and Medicaid programs in Fiscal Year 2005-06 was approximately \$165.2 million. Medicaid, Medicare, and other third-party payer programs reimburse providers at rates generally less than the hospital's billing rates. Net patient-service revenue is adjusted for these differences and is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. The hospital's net patient service revenue for the year ended June 30, 2006, increased approximately \$5.0 million, due to final settlements.

The hospital reports pledges at their net present value. As a result, a pledge received during 2001 totaling \$10.0 million was discounted at 4.25 percent. At June 30, 2006, \$3.0 million remains payable on the pledge and the related discount is \$120,000. Three pledges restricted to the Center for Dependency, Addiction, and Rehabilitation received during 2004 totaling \$12.0 million were discounted at a rate of 5.75 percent. \$3.5 million remained payable on these pledges, and the related discount was approximately \$200,000 at June 30, 2006. During Fiscal Year 2005-06, the hospital received final payment of \$8.3 million on a \$30 million pledge recorded in 2001. An additional pledge totaling \$500,000 was received during 2006. As of June 30, 2006, the authority had no restricted receivables related to contributions.

The Colorado Water Resources and Power Development Authority had loans receivable of \$1.2 billion at December 31, 2006. During 2006, the authority made new loans of \$117.5 million and canceled or received repayments for existing loans of \$47.5 million.

The University of Colorado Foundation contributions receivable of \$12.8 million and \$12.0 million are reported as Contributions Receivable current and noncurrent, respectively, in the *Statement of Net Assets – Component Units*. At June 30, 2006, the amount reported as contributions receivable includes \$36.1 million of unconditional promises to give which were offset by a \$9.5 million allowance for uncollectible contributions and a \$1.8 million unamortized pledge discount using discount rates ranging from .89 percent to 6.31 percent.

At June 30, 2006, the Contributions Receivables amount shown for the Colorado State University Foundation included contributions of \$35.1 million, which were offset by \$6.8 million of unamortized pledge discounts calculated using the five-year U.S. Treasury bond rate. At June 30, 2006, contributions from one donor represented approximately 68 percent of total contributions receivable for the foundation.

At June 30, 2006, the combined current and noncurrent Contributions Receivable amount shown for the Colorado School of Mines Foundation of \$7.6 million was offset by \$449,211 of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 47 percent of the foundation's contributions receivable at June 30, 2006, consists of pledges from two donors in 2006, and approximately \$3.3 million is due from irrevocable remainder trusts.

The Venture Capital Authority's receivables are 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 \$34.1 million of accounts receivable from insurance companies that are reported as Contributions Receivable (\$4.5 million) and Other Long-Term Assets (\$29.6 milllion) 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 13 – INVENTORY**

Inventories of \$52.1 million shown on the government-wide *Statement of Net Assets* at June 30, 2007, primarily comprise:

- \$10.6 million of manufacturing inventories recorded by Correctional Industries, a nonmajor Enterprise Fund,
- \$19.5 million of resale inventories, of which, Higher Education Institutions, a major Enterprise Fund, recorded \$17.4 million.
- \$16.4 million of consumable supplies inventories, of which, \$5.4 million was recorded by the Highway User's Tax Fund, a major Special Revenue Fund, \$7.4 million by the Higher Education Institutions, a major Enterprise Fund, and \$2.3 million by the General Fund.

## NOTE 14 – PREPAIDS, ADVANCES, AND DEFERRED CHARGES

Prepaids, Advances and Deferred Charges of \$44.3 million shown on the government-wide *Statement of Net Assets* are primarily general prepaid expenses except for the following individually significant items:

- \$17.2 million advanced to Colorado counties and special districts by the General Fund related to social assistance programs,
- \$4.8 million advanced to federal projects by the Division of Parks and Recreation from the Capital

- Projects Fund and the Resource Management Fund (a nonmajor Special Revenue Fund), and
- \$4.0 million of prize expense paid by the Colorado Lottery, a major Enterprise Fund, to a multistate organization related to participation in the Powerball lottery game.
- \$3.2 million primarily related to cash payments for library subscriptions at Colorado State University.

#### **NOTE 15 – 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 19 and other pension funds are not considered public funds. In general, the statute allows investment in Certificates of Participation related to lease purchase commitments, local government investment pools, repurchase and reverse repurchase agreements (with certain limitations), securities lending agreements, domestic corporate or bank debt securities, guaranteed investment or interest contracts including annuities and funding agreements, securities issued by or fully guaranteed by the United States Treasury or certain federal entities and the World Bank, inflation indexed securities issued by the United States Treasury, general obligation and revenue debt of other states in the United States and their political subdivisions (including authorities), or registered money market funds with policies that meet specific criteria. For major investment types, the statute establishes minimum credit quality ratings as assigned by national rating agencies. Recent legislation increased the minimum credit quality rating requirement to the highest rating by at least two national rating agencies for most investment types. That legislation also set maximum time to maturity limits, but it allowed the governing body of the public entity to extend those limits. Public entities may also enter securities lending agreements that meet certain collateralization and other requirements. The statute prohibits investment in securities that do not have fixed coupon rates unless the variable reference rate is a United States Treasury security with maturity less than one year, the London Interbank Offer Rate, or the Federal Reserve

cost of funds rate. The above statutory provisions do not apply to the University of Colorado.

Colorado Revised Statutes 24-36-113 authorizes securities in which the State Treasurer may invest and requires prudence and care in maintaining investment principal and In addition to the maximizing interest earnings. investments authorized for all public funds, the State Treasurer may invest in securities of the federal government and its agencies and corporations without limitation, asset-backed securities, certain international banks, and certain 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 15, 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 2006-07, the State Treasurer realized gains from the sale of investments held for the Public School Permanent Fund of \$23,061, for the State Education Fund of \$207,166, and for the treasurer's pooled cash of \$35,093.

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2007 and 2006, the treasurer had \$47.6 million and \$46.8 million at fair value, respectively, of GOCO's funds on deposit and invested.

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

As provided by state statute, the State Treasurer held \$4.6 million of investment in residential mortgages by paying the property taxes of certain elderly 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 University of Northern Colorado, which is reported in the Higher Education Institutions Enterprise Fund, held \$5.3 million of hedge funds that were valued based on the net asset value reported by the hedge fund manager. The net asset value is computed based on dealer quotations on the fair market value of the underlying securities – the majority of which are traded on national exchanges.

Excluding fiduciary funds, the state recognized \$2,945,578 of net realized gains from the sale of investments held by state agencies other than the State Treasurer during Fiscal Year 2006-07.

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

#### (Amounts in Thousands)

Financial Statement Amounts  Net Cash and Pooled Cash Add: Warrants Payable Included in Cash Tota Total Cash and Pooled Cash Add: Restricted Cash Add: Restricted Investments Add: Investments  State 14,354,148 179,324 179,324 179,324 1858,789 1,107,521 1,107,521 1,107,521 1,107,521 1,107,521	Footnote Amounts	Carrying Amount
Governmental Activities         5,949,549           Business-Type Activities         1,810,452           Fiduciary Activities         3,700,906           Pooled Cash Investments Sold But Not Settled         19,827           Total         \$ 12,537,515           Financial Statement Amounts         \$ 4,354,148           Add: Warrants Payable Included in Cash         179,324           Tota Total Cash and Pooled Cash         4,533,472           Add: Restricted Cash         1,858,789           Add: Restricted Investments         1,107,521           Add: Investments         5,037,733	Deposits (Note 10)	\$ 1,056,781
Business-Type Activities	Investments:	
Fiduciary Activities         3,700,906           Pooled Cash Investments Sold But Not Settled         19,827           Total         \$ 12,537,515           Financial Statement Amounts         Net Cash and Pooled Cash         \$ 4,354,148           Add: Warrants Payable Included in Cash         179,324           Tota Total Cash and Pooled Cash         4,533,472           Add: Restricted Cash         1,858,789           Add: Restricted Investments         1,107,521           Add: Investments         5,037,733	Governmental Activities	5,949,549
Pooled Cash Investments Sold But Not Settled         19,827           Total         \$ 12,537,515           Financial Statement Amounts         Net Cash and Pooled Cash         \$ 4,354,148           Add: Warrants Payable Included in Cash         179,324           Tota Total Cash and Pooled Cash         4,533,472           Add: Restricted Cash         1,858,789           Add: Restricted Investments         1,107,521           Add: Investments         5,037,733	Business-Type Activities	1,810,452
Financial Statement Amounts         \$ 12,537,515           Net Cash and Pooled Cash         \$ 4,354,148           Add: Warrants Payable Included in Cash         179,324           Tota Total Cash and Pooled Cash         4,533,472           Add: Restricted Cash         1,858,789           Add: Restricted Investments         1,107,521           Add: Investments         5,037,733	Fiduciary Activities	3,700,906
Financial Statement Amounts  Net Cash and Pooled Cash Add: Warrants Payable Included in Cash Tota Total Cash and Pooled Cash Add: Restricted Cash Add: Restricted Investments Add: Investments  State 14,354,148 179,324 179,324 179,324 1858,789 1,107,521 1,107,521 1,107,521 1,107,521 1,107,521	Pooled Cash Investments Sold But Not Settled	19,827
Net Cash and Pooled Cash Add: Warrants Payable Included in Cash Tota Total Cash and Pooled Cash Add: Restricted Cash Add: Restricted Investments Add: Investments  \$ 4,354,148 179,324  4,533,472  4,533,472  1,858,789  1,107,521  Add: Investments 5,037,733	Total	\$ 12,537,515
Add: Warrants Payable Included in Cash  Tota Total Cash and Pooled Cash  Add: Restricted Cash  Add: Restricted Investments  Add: Investments  1,79,324  4,533,472  1,858,789  1,107,521  Add: Investments  5,037,733	Financial Statement Amounts	
Tota Total Cash and Pooled Cash Add: Restricted Cash Add: Restricted Investments Add: Investments Add: Investments 5,037,733	Net Cash and Pooled Cash	\$ 4,354,148
Add: Restricted Cash1,858,789Add: Restricted Investments1,107,521Add: Investments5,037,733	Add: Warrants Payable Included in Cash	179,324
Add: Restricted Investments 1,107,521 Add: Investments 5,037,733	Tota Total Cash and Pooled Cash	4,533,472
Add: Investments 5,037,733	Add: Restricted Cash	1,858,789
	Add: Restricted Investments	1,107,521
Total \$ 12,537,515	Add: Investments	5,037,733
	Total	\$ 12,537,515

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

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

(Amounts in Thousands)

	TREASURER'S POOL	GENERAL FUND	STATE EDUCATION	OTHER GOVERNMENTAL	TOTAL
INVESTMENT TYPE					
U.S. Government Securities	\$ 2,147,417	\$ -	\$20,009	\$ 131,580	\$ 2,299,006
Commercial Paper	1,360,643	-	-	12,416	1,373,059
Corporate Bonds	522,457	-	35,648	88,666	646,771
Asset Backed Securities	881,778	-	-	114,118	995,896
Mortgages Securities	144,349	4,649	-	226,417	375,415
Mutual Funds	259,000	-	-	202	259,202
Other		=	=	200	200
TOTAL INVESTMENTS	\$ 5,315,644	\$ 4,649	\$55,657	\$ 573,599	\$ 5,949,549
INVESTMENTS SUBJECT TO CUSTODIAL	RISK				
Commercial Paper	\$ -	\$ -	\$ -	\$ 12,416	\$ 12,416
TOTAL SUBJECT TO CUSTODIAL RISK	\$ -	\$ -	\$ -	\$ 12,416	\$ 12,416

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

(Amounts in Thousands)

		BUSIN	IESS.	TYPE ACTIV	/ITIES	S	FII	DUCIARY
	ED	HIGHER DUCATION TITUTIONS		OLLEGE		TOTAL	FII	DUCIARY
INVESTMENT TYPE								
U.S. Government Securities	\$	95,382	\$	4,956	\$	100,338	\$	13,129
Commercial Paper		4,205		-		4,205		-
Corporate Bonds		56,103		26,916		83,019		11,105
Corporate Securities		34,492		-		34,492		-
Repurchase Agreements		68,329		-		68,329	-	
Asset Backed Securities		51,260		-		51,260		13,325
Mortgages Securities		92,649	-			92,649		22,153
Mutual Funds		655,454		115,116		770,570	3	,612,289
Guaranteed Investment Contracts		66,976		341,934		408,910		-
Other		196,680		-		196,680		28,905
	\$	1,321,530	\$	488,922	\$	1,810,452	\$ 3	,700,906
INVESTMENTS SUBJECT TO CUSTODIAL	RISK							
U.S. Government Securities	\$	1,335	\$	-	\$	1,335	\$	-
Corporate Bonds		2,739		-		2,739		-
Corporate Securities		17,976		-		17,976		-
TOTAL SUBJECT TO CUSTODIAL RISK	\$	22,050	\$	-	\$	22,050	\$	-

#### **Credit Quality Risk**

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

Government agencies that are not explicitly guaranteed by the U.S. Government.

The State Treasurer's formal investment policy requires that eligible securities have a minimum of two acceptable credit quality ratings — one of which must be from either Moody's or Standard and Poor's rating agency and the other which may be from the Fitch rating agency or

another nationally recognized rating agency. The policy sets acceptable credit quality ratings by investment portfolio and investment type.

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

In addition, to the amounts shown in the following table, CollegeInvest held a funding agreement valued at \$23.5 million in its College Savings Plan, a Private Purpose Trust Fund that was unrated as to credit quality risk.

							(Amounts	In Th	nousands)									
		I.S. Govt. Agencies	С	ommercial Paper	C	orporate Bonds	urchase eements	Ç	Asset Backed Securities		Money Market Mutual Funds	1	Bond Mutual Funds	In	uaranteed vestment Contract	Munio Bor	cipal nds	Total
Treasurer's Pool:																		
Long-term Ratings		700 044				F4 (F0			4 00/ 407		250 000							0.407.707
Gilt Edge	\$	799,841	\$	_	\$	51,658 213.908	\$ -	\$	1,026,127	\$	259,000	\$	-	\$	-	\$	-	\$ 2,136,626
High Grade Upper Medium		-		-		251,898	-		-		-		-		-		-	213,908 251,898
Lower Medium		-		-		4,993	-		-		-		-		-		-	4,993
Short-term Ratings		-		-		4,993	-		-		-		-		-		-	4,993
Highest		808.374		1.360.643														2.169.017
nigilest		000,374		1,300,043		-	-		-		-		-		-		-	2,109,017
Higher Education In	stitu	utions:																
Long-term Ratings																		
Gilt Edge	\$	27,847	\$	_	\$	14,866	\$ _	\$	94,332	\$	296,823	\$	466	\$	65,261	\$	49	\$ 499,644
High Grade		1,158		_		31,457	-		1,818		· -		1,573		-		20	36,026
Upper Medium		-		_		32,106	-		1,345		-		38		-		-	33,489
Lower Medium		-		_		19,903	-		1,161		-		38		-		-	21,102
Speculative		-		_		2,338	-		465		-		19		-		-	2,822
Very Speculative		-		-		1,851	-		-		-		-		-		-	1,851
High Default Risk		-		-		332	-		-		-		-		-		-	332
Short-term Ratings																		
Highest		-		4,205		-	-		-		-		-		-		-	4,205
Unrated		7,060		-		1,356	68,329		44,789		65,341		34,847		-		-	221,722
Fiduciary Funds:																		
Long-term Ratings																		
Gilt Edge	\$	757	\$	-	\$	1,442	\$ -	\$	35,478	\$	-	\$	-	\$	-	\$	-	\$ 37,677
High Grade		-		-		2,417	-		-		-		-		1,369		-	3,786
Upper Medium		-		-		7,247	-		-		-		-		-		-	7,247
Unrated		-		-		-	-		-	;	3,228,674		136,667		-		-	3,365,341
All Other Funds:																		
Long-term Ratings																		
Gilt Edge	\$	110,821	\$	_	\$	36,035	\$ -	\$	320,986	\$	202	\$	-	\$	-	\$	-	\$ 468,044
High Grade		-		-		65,843	-		-		_		-		-		-	65,843
Upper Medium		-		-		49,352	-		-		-		-		-		-	49,352
Short-term Ratings																		
Highest		-		12,416		-	-		-		-		-		-		-	12,416
Unrated		1,750		-		-	-		24,197		115,116		-		341,923		-	482,986

#### **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.

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

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

The University of Colorado operates a treasury function separate of the State Treasurer and uses duration to measure and manage interest rate risk for most of its investments. However, University Physicians Incorporated (UPI), a blended component unit of the University of Colorado, manages interest rate risk using weighted average maturity and limits the time to maturity of individual investments to no greater than five years.

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

fund selection process. CollegeInvest's Private Purpose Trust Fund holds inflation protected bond mutual funds in the amount of \$14.1 million that have a weighted average maturity of 6.3 years. These securities are excluded from the weighted average maturity table below because interest rate risk is mitigated by the inflation protection attribute of the securities.

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

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

	Treasure Pool		High Educa Institu	tion	Fiduci Fund	,	All Oth Fund	er
Investment Type	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity
U.S. Government Securities Commercial Paper Corporate Bonds Asset Backed Securities Money Market Mutual Funds Bond Mutual Funds	\$ 2,147,417 1,360,643 522,457 1,026,127 259,000	1.097 0.082 2.679 2.130 0.010	\$ 13,068 4,205 50,557 1 1,948 1,497	1.284 0.919 2.399 1.003	\$ 12,428 - 245,703 35,478	6.954 - 4.561 6.159	\$ 157,132 12,416 150,778 340,534	4.718 0.080 4.305 6.159
Total Investments	\$ 5,315,644	-	\$ 71,276	7.000	\$ 293,609	-	\$ 660,860	-

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 \$68,328,972 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. The duration associated with the repurchase agreements is 1.26 years. As a result, the university does not have interest rate risk associated with these agreements. The \$68.3 million is not shown in the weighted average maturity table above or the following duration table.

The University of Colorado has invested \$8,216,764 in U.S. Treasury Inflation Protected Securities with duration of 8.96 years. The interest rate risk of this investment is effectively mitigated by the inflation protection attribute of the investment, and therefore, it is excluded from the weighted average maturity table above and the following duration table.

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

(Dollar Amounts in Thousands, Duration in Years)

	Fair	
	Value	
	Amount	Duration
Fiduciary Funds:		
Pension Funds:		
Department of Personnel & Administration		
Bond Mutual Funds - Deferred Compensation Plan	\$133,931	3.693
Bond Mutual Funds - Defined Contribution Plan	2,736	4.414
Private Purpose Trust:		
CollegeInvest:		
Bond Mutual Fund-1	\$ 78,414	4.200
Bond Mutual Fund-2	200,712	2.630
Bond Mutual Fund-3	518,270	5.090
Enterprise Funds:		
Higher Education Institutions:		
University of Colorado:		
U.S. Treasury Bonds and Notes	\$ 48,337	6.540
U.S. Treasury Strips	2,429	15.270
U.S. Government Agency Notes	27,192	2.030
U.S. Government Agency Strips	1,405	1.440
Municipal Bonds	69	1.800
Corporate Bonds	52,133	5.410
Asset Backed Securities	238,196	3.590
Bond Mutual Funds	34,066	2.760
Colorado State University:		
Bond Mutual Funds	\$ 639	2.990

#### Foreign Currency Risk

Some of the University of Colorado Treasury's investments are exposed to certain foreign currency risks. The University's investment policy allows but does not require hedging of this risk. The University held the following immaterial amounts in various foreign currencies; corporate bonds - \$511,1186, currency -\$151,917, and equities - \$900,835. The University held the following and significant investments in mutual funds denominated in the following currencies (amounts in millions); Australian Dollar - \$1.5, Brazil Real - \$3.3, Canadian Dollar - \$1.7, Swiss Franc - \$5.7, China Yuan -\$1.5, Denmark Kroner - \$.8, Euro Dollar - \$26.8, British Pound - \$18.3, Hong Kong Dollars - \$1.0, Japanese Yen -\$13.3, Korean Won - \$3.1, Mexican Peso - \$1.1, Sweden Kronor - \$2.0, Taiwan New Dollars - \$1.2, and various other currencies totaling \$5.1 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 75 percent) set for the other allowed investment types. For the pool and the other funds for which the Treasurer manages investments, the policy sets maximum concentrations in an individual issuer for certain investment types.

The State Treasurer purchases investments separate of the Treasurer's Pool for the State Education Fund, a major Special Revenue Fund. The State Education Fund has a concentration of credit risk because the following corporate bond holdings each exceed 5 percent of the total investment in the fund; First Data Corporation - 9.0 percent, Verizon - 9.0 percent, Eli Lilly - 9.2 percent, Bank of America - 9.3 percent, Citigroup - 9.3 percent, Colgate Palmolive - 9.2 percent, and General Electric - 9.1 percent. The concentration occurred because the

initial purchase of the bonds was expected to be a small portion of a growing investment balance. However, the State Education Fund investments have not grown as expected because the Legislature has appropriated the fund's resources. The Treasurer is gradually liquidating the investments to mitigate the credit risk concentration.

The Attorney Regulation Agencies, in the Judicial Branch, has a concentration of credit risk in funds reported as part of the Other Special Revenue Funds, a nonmajor Special Revenue Fund. Of the \$12.8 million of investments reported by these agencies, 52.9 percent is invested in the American Express Card and 44.3 percent

is invested in the American General Finance Corporation. The investments are commercial paper that is required to be rated A-1+.

#### **Unrealized Gains and Losses**

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

#### (Amounts in Thousands)

	Fiscal Year 2006-07	Fiscal Year 2005-06
Governmental Activities:		
Major Funds		
General Fund	\$ 9,920	\$ (12,866)
Highway Users Tax	3,350	(8,712)
Capital Projects	57	(2,057)
State Education	685	(5,287)
NonMajor Funds:		
State Lands	3,430	(25,375)
Other Permanent Trusts	49	(75)
Water Projects	497	(1,004)
Labor	797	(3,426)
Gaming	779	(1,243)
Tobacco Impact Mitigation	2,232	(3,171)
Resource Extraction	3,531	(5,297)
Resource Management	158	(241)
Environment Health Protection	472	(838)
Other Special Revenue	1,395	(1,928)
Highways (Internal Service)	22	(31)
Business-Type Activities:		
Major Funds		
Higher Education Institutions	7,377	(4,168)
CollegeInvest	1,002	(2,346)
Lottery	199	(326)
NonMajor Funds:		
Wildlife	594	(965)
College Assist	511	(944)
Correctional Industries	25	(40)
State Nursing Homes	30	(48)
Prison Canteens	36	(54)
Petroleum Storage Tank	35	(83)
Other Enterprise Activities	11	(75)
Fiduciary:		
Pension/Benefits Trust	147	(239)
Private Purpose Trust	125,604	25,754
	\$ 162,945	\$ (55,085)

#### **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, 2006:

#### (Amounts in Thousands)

	 TOTAL
INVESTMENT TYPE	
Cash Equivalents	\$ 16,311
U.S. Government Securities	104,172
Corporate Bonds	18,681
Corporate Securities	72,941
Other	168,465
TOTAL INVESTMENTS	\$ 380,570

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 describe at the beginning of this Note 15. 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, 2006, were:

#### (Amounts in Thousands)

	TOTAL
INVESTMENT TYPE	
U.S. Government Securities	\$ 23,788
Repurchase Agreements	349,096
TOTAL INVESTMENTS	\$ 372,884

At December 31, 2006, CoverColorado held \$46.5 million of U. S. Government securities at fair value that were not subject to custodial credit risk or credit quality risk. Of the total fair value amount, \$31.6 million matures within one year, and the remaining \$14.9 million matures between one and five years.

The Colorado Venture Capital Authority, through its limited partnership with High Country Venture LLC (General Partner), makes equity investments solely in seed and early stage Colorado companies. The Authority has not disclosed the custodial credit risks associated with the related securities. 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-man 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 following table presents the credit quality ratings by investment type for the authority at June 30, 2006:

#### (Amounts In Thousands)

	.S. Govt. .gencies	porate Bonds	Asset Backed ecurities	Guaranteed Investment Contract	Total
Long-term Ratings					
Gilt Edge	\$ 28,460	\$ -	\$ 29,742	\$ 126,178	\$ 184,380
High Grade	-	1,044	-	46,705	47,749
Lower Medium	-	3,473	-	-	3,473
Short-term Ratings					
Highest	-	6,314	-	-	6,314
High	-	1,018	-	-	1,018
Good	-	6,832	-	-	6,832

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

#### **Interest Rate Risk**

The University of Colorado Hospital Authority manages its exposure to interest rate risk by limits set on the duration of its investment portfolio. The following table presents the dollar-weighted modified duration of the authority's investments at June 30, 2006:

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value	
	Amount	Years
U.S. Government Securities	\$45,482	3.435
Corporate Bonds	18,681	2.395
Asset Backed Securities	29,742	1.890

The Colorado Water Resources and Power Development Authority manages interest rate risk by matching investment maturities to the cashflow needs of its future bond debt service and holding those investments to maturity. The authority had \$372.9 million of investments subject to interest rate risk with the following maturities; one year or less – 39 percent, two to five years – 22 percent, six to ten years – 18 percent, eleven to fifteen years – 14 percent, and 16 years or more – 8 percent. The authority has entered put agreements that allow it to sell U.S. Treasury bonds at fixed amounts that will provide the authority with funds to make debt service payments in the event that a borrower fails to make loan payments to the authority.

#### **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, 2006, the authority had the following foreign currency exposures in thousands of United States dollars: British Pound - \$3,316, Euro - \$3,080, Japanese Yen - \$1,937, Hong Kong Dollar - \$1,197, South Korean Won - \$812, and Taiwan New Dollar - \$638. An additional \$2,740,000 was held in various international currencies, none of which exceeded \$500,000.

#### **Concentration of Credit Risk**

At June 30, 2006, no single investment of the University of Colorado Hospital Authority exceeded five percent of total investments. This was consistent with the authority's policy that limits non-U.S. Government investments to no more than ten percent in any one issuer.

#### **Investments Highly Sensitive to Interest Rate Risk**

The University of Colorado Hospital Authority uses interest rate swap agreements to manage interest costs and risks associated with changing interest rates. Credit loss from counter party nonperformance is not anticipated.

At June 30, 2006, the hospital was party to a basis swap agreement having a notional amount of \$72.0 million, a fixed to floating rate swap having a notional value of \$50.0 million, and a floating to fixed rate swap having a notional value of \$110.0 million. At June 30, 2006, the agreements had fair values of \$3,100, (\$1,415,000), and \$2,947,000, and are scheduled to terminate in 2006, 2010, and 2033, respectively. In Fiscal Year 2005-06, these three swap agreements produced a net cash outflow of approximately \$713,000. Realized and unrealized gains and losses are reported in income, as the agreements do not qualify for hedge accounting.

#### **Component Units – Foundations**

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

At June 30, 2006, the University of Colorado Foundation held \$183.2 million of domestic equity securities, \$153.8 million of international equity \$117.6 million of fixed income securities, and \$237.5 million of alternative investments including real estate, private equities, hedge funds, venture capital, absolute return funds, and oil and gas assets. The fair value of the alternative investments have been estimated in the absence of readily available market information, and those values may vary significantly from actual liquidation values. The foundation's investment income of \$68.5 million is net of \$2.7 million of investment fees and comprises \$11.6 million of interest and dividends, \$49.1 million of realized gains, and \$10.5 million of unrealized gains. At June 30, 2006, the foundation could be obligated to fund an additional \$102.5 million of alternative investment commitments.

At June 30, 2006, the Colorado State University Foundation held international and large, small, and micro capitalization equity securities totaling \$99.5 million, fixed income investments of \$39.0 million, and alternative and other investment types of \$61.8 million.

The Colorado School of Mines Foundation's (CSMF) current spending policy allows 5.25 percent (net of investment and administrative fees and expenses) of the three-year average of investment fair value to be distributed. At June 30, 2006, the CSMF held bonds and bond mutual funds totaling \$17.1 million, stocks and stock mutual funds totaling \$77.8 million, and investments in limited partnerships and real estate totaling \$45.6 million in its long term investments pool. Of the foundation's \$170.0 million of investments, \$16.9 million, or 9.9 percent, was related to split interest CSMF is also the beneficiary of an agreements. endowment valued at \$8.0 million and a long-term trust valued at \$1.9 million which are reported as Investments on the Statement of Net Assets - Component Units. Thirty-two percent of the foundation's investment portfolio (twenty-four percent in Fiscal Year 2004-05) 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, 2006, the University of Northern Colorado Foundation held \$25.4 million of fixed income securities (including \$18.2 million of corporate notes), \$57.3 million of equity securities, and \$11.7 million of other investments. These amounts include \$3.8 million of assets held in a separate trust for the benefit of the foundation.

#### NOTE 16 - TREASURER'S INVESTMENT POOL

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

Colorado Revised Statutes 24-36-113 authorizes the State Treasurer to enter collateralized securities lending agreements. During Fiscal Year 2006-07, the State Treasury loaned U.S. government and federal agencies' securities held for the Colorado Treasury Pool, the Public School Permanent Fund, and the State Education Fund to Morgan Stanley.

The agreement with Morgan Stanley requires that all securities must be collateralized to at least 105 percent of the market value of the securities loaned. The collateral is deposited and held in a custodial bank. At June 30, 2007, collateral held by the custodial bank included A-rated or better domestic corporate securities. The State Treasurer does not have the authority to pledge or sell collateral securities without borrower default nor does the treasurer accept cash as collateral.

Morgan Stanley, acting as principal, agent, and fiduciary, is directly responsible for safeguarding the assets, and it carries a financial institution bond that is substantially more than the amount required by the New York Stock Exchange. On June 30, 2007, the market value of securities on loan to Morgan Stanley was \$1,851,706,438, and the market value of the collateral securities pledged was \$1,954,417,454. The State Treasurer monitors the pledged collateral on an ongoing basis to ensure compliance with the 105 percent requirement.

#### **NOTE 17 – CAPITAL ASSETS**

#### **Primary Government**

During Fiscal Year 2006-07 the state capitalized \$14.2 million of interest incurred during the construction of capital assets. Of that amount, the Parking Fund, a nonmajor Other Enterprise Fund, capitalized \$39,643, the State Nursing Homes, a nonmajor Enterprise Fund, capitalized \$83,309, and the balance was capitalized by Higher Education Institutions, a major Enterprise Fund.

The state recorded \$2.2 million of insurance recoveries during Fiscal Year 2006-07. Of that amount \$122,180 was recorded in the Capital Projects Fund and was related to asset impairments that occurred in prior years. The remaining amount relates to the current year and was primarily recorded by the Capital Projects Fund (\$793,554), a major Governmental Fund, the Higher Education Institutions (\$529,127), a major Enterprise Fund, the Wildlife Fund (\$374,960), a nonmajor Enterprise Fund, and the General Fund (\$251,230).

During Fiscal Year 2006-07 the Department of Labor and Employment determined that a major computer hardware and software system that was under development to replace multiple existing systems could not be completed as designed. The project had been under development for several years. Except for certain hardware useable in other areas, all \$16.1 million of expenditures related to the project were removed from the capital asset accounts and written off as a loss on impairment.

The following page shows the capital asset activity for Fiscal Year 2006-07.

		(A	mc	ounts in Thous	ands	)	
	Restated Beginning Balance	Increases		CIP Transfers	D	ecreases	Ending Balance
GOVERNMENTAL ACTIVITIES: Capital Assets Not Being Depreciated:							
Land	\$ 80,706	\$ 15,950	\$	4	\$	(18,247) \$	78,413
Land Improvements	2,575	-		284		-	2,859
Collections Construction in Progress (CIP)	8,831 1,117,093	- 184,920		64 (840,150)		(20,008)	8,895 441,855
Infrastructure	10,450,398	12,364		806,548		(1,357)	11,267,953
Total Capital Assets Not Being Depreciated	 11,659,603	213,234		(33,250)		(39,612)	11,799,975
Capital Assets Being Depreciated:	 						
Leasehold and Land Improvements	79,736	1,602		5,526		(1,087)	85,777
Buildings	1,404,370	10,301		25,150		(15,719)	1,424,102
Vehicles and Equipment	645,065	50,311		1,267		(22,744)	673,899
Library Materials and Collections	5,365	418		-		(235)	5,548
Other Capital Assets	23,133	2,101		-		-	25,234
Infrastructure	 86,774	2,252		1,307		(1,022)	89,311
Total Capital Assets Being Depreciated	2,244,443	66,985		33,250		(40,807)	2,303,871
Less Accumulated Depreciation:							
Leasehold and Land Improvements	(39,676)	(3,575)		-		61	(43,190)
Buildings	(511,467)	(33,120)		-		1,636	(542,951)
Vehicles and Equipment Library Materials and Collections	(318,148) (3,956)	(51,353) (281)		-		14,856 235	(354,645) (4,002)
Other Capital Assets	(17,075)	(282)		_		233	(17,357)
Infrastructure	(48,339)	(5,639)		-		560	(53,418)
Total Accumulated Depreciation	(938,661)	(94,250)		-		17,348	(1,015,563)
Total Capital Assets Being Depreciated, net	 1,305,782	(27,265)		33,250		(23,459)	1,288,308
· · · · · · · · · · · · · · · · · · ·	 .,,,,,,,,,	(=: /===/				(==, :=:,	.,
TOTAL GOVERNMENTAL ACTIVITIES	12,965,385	185,969		-		(63,071)	13,088,283
BUSINESS-TYPE ACTIVITIES: Capital Assets Not Being Depreciated:							
Land	208,841	5,140		4,341		(455)	217,867
Land Improvements	11,770	1,430		105		(100)	13,305
Collections	13,315	549		-		(1,040)	12,824
Construction in Progress (CIP)	 327,601	485,424		(217,907)		(3,932)	591,186
Total Capital Assets Not Being Depreciated	561,527	492,543		(213,461)		(5,427)	835,182
Capital Assets Being Depreciated:							
Leasehold and Land Improvements	368,839	4,773		20,687		(326)	393,973
Buildings	3,355,187	84,671		187,994		(5,570)	3,622,282
Vehicles and Equipment	735,878	60,187		4,780		(59,737)	741,108
Library Materials and Collections	401,524	20,594		-		(1,424)	420,694
Other Capital Assets Infrastructure	8,674 19,184	65		-		-	8,739 19,184
Total Capital Assets Being Depreciated	 4,889,286	170,290		213,461		(67,057)	5,205,980
	4,007,200	170,290		213,401		(07,037)	3,203,900
Less Accumulated Depreciation:  Leasehold and Land Improvements	(145,691)	(17,485)		_		113	(163,063)
Buildings	(1,244,297)	(132,897)		_		2,195	(1,374,999)
Vehicles and Equipment	(506,580)	(64,205)		-		48,678	(522,107)
Library Materials and Collections	(265,761)	(20,554)		-		1,488	(284,827)
Infrastructure	 (8,822)	(470)		-		-	(9,292)
Total Accumulated Depreciation	(2,171,151)	(235,611)		-		52,474	(2,354,288)
Total Capital Assets Being Depreciated, net	2,718,135	(65,321)		213,461		(14,583)	2,851,692
TOTAL BUSINESS-TYPE ACTIVITIES	3,279,662	427,222		-		(20,010)	3,686,874
TOTAL CAPITAL ASSETS, NET	\$ 16,245,047	\$ 613,191	\$	-	\$	(83,081) \$	16,775,157

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

#### (Amounts in Thousands)

	reciation Amount
GOVERNMENTAL ACTIVITIES:	
General Government	\$ 10,093
Business, Community, and Consumer Affairs	4,784
Education	1,063
Health and Rehabilitation	5,831
Justice	26,389
Natural Resources	5,001
Social Assistance	7,685
Transportation	17,114
Internal Service Funds (Charged to programs and BTAs based on useage)	16,290
Total Depreciation Expense Governmental Activities	94,250
BUSINESS-TYPE ACTIVITIES	
Higher Education Institutions	227,001
CollegeInvest	414
State Lottery	157
Other Enterprise Funds	8,039
Total Depreciation Expense Business-Type Activities	235,611
Total Depreciation Expense Primary Government	\$ 329,861

#### **Component Units**

At June 30, 2006, the University of Colorado Hospital Authority reported \$112.6 million of nondepreciable assets, including land and construction in progress. Depreciable assets included buildings and improvements of \$466.6 million and equipment of \$208.5 million. Accumulated depreciation related to these capital assets was \$330.0 million.

As of June 30, 2006, the hospital had entered into various commitments for site development and infrastructure at the Anschutz Inpatient and Outpatient Pavilions, the Leprino Office Building, and the Fitzsimons campus infrastructure. Costs incurred at June 30, 2006, for these projects approximated \$130.0 million while estimated costs to complete are \$315.0 million.

The Colorado Water Resources and Power Development Authority reported capital assets of \$23,431 net of accumulated depreciation of \$141,738 at December 31, 2006.

The Denver Metropolitan Major League Baseball Stadium District reported land, land improvements, buildings, and other property and equipment, of \$154.6 million, net of accumulated depreciation of \$51.1 million, at December 31, 2006. 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 \$65.2 million, net of accumulated depreciation of \$10.4 million, at June 30, 2006. Most of the buildings and equipment assets were held in the name of Bear Creek I, LLC limited liability company whose sole member is the foundation.

#### NOTE 18 – OTHER LONG-TERM ASSETS

The \$538.6 million shown as Other Long-Term Assets on the government-wide *Statement of Net Assets* is primarily long-term taxes receivable and long-term loans. Long-term taxes receivable of \$133.7 million, related to the General Fund and the Highway Users Tax Fund, are not segregated on the *Balance Sheet – Governmental Fund*, but are shown in Taxes Receivable and are offset by Deferred Revenue.

The \$295.7 million of Other Long-Term Assets shown on the fund-level *Balance Sheet – Governmental Funds* is primarily related to loans issued by the Highway Users Tax Fund (\$9.1 million), a major Special Revenue Fund, and the Water Projects Fund (\$247.8 million), a nonmajor Special Revenue Fund. The Water Conservation Board makes the water loans to local entities for the purpose of constructing water projects in the state. The loans are made for periods ranging from 10 to 30 years at interest rates of 2 to 7 percent, and they require the local entities or districts to make a yearly payment of principal and interest.

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

The \$112.7 million shown as Other Long-term Assets on the *Statement of Net Assets – Proprietary Funds* is primarily student loans issued by Higher Education

Institutions and CollegeInvest, but also includes deferred debt issuance costs. Most of the CollegeInvest student loans are not reported in this line but rather are reported as restricted receivables.

#### NOTE 19 through 26 - DETAILS OF LIABILITY ITEMS

#### NOTE 19 – PENSION SYSTEM AND OBLIGATIONS

#### **Primary Government**

#### A. PLAN DESCRIPTION

Most State of Colorado employees participate in a defined benefit (DB) pension plan, however all employees, with the exception of higher education employees, have the option of participating in defined contribution (DC) plans instead (see Note 21). The DB plan's purpose is to provide income to members and their families during retirement or in case of death or disability. The state plan and the other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at P.O. Box 5800, Denver, CO 80217-5800 or by calling the PERA Infoline at 1-800-759-7372.

#### Administration of the Plan

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

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

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

PERA members electing the defined contribution plan are allowed an irrevocable election between the second and fifth year of membership to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. However, making this election subjects the member to rules in effect for those hired on or after January 1, 2007, as discussed below. Employer contributions to both defined contribution plans are the same amount as the contributions to the PERA defined benefit plan.

#### **Defined Retirement Benefits**

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

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

State troopers and Colorado Bureau of Investigation (CBI) officers are eligible for retirement benefits at the following age and years of service; any age -30, 50-25, 55-20 and 65-5. Reduced service benefits are calculated similarly to a service retirement benefit; however, the benefit is reduced by percentages that vary from 0.25 to 0.5, depending on age and years of service, for each month before the eligible date for the full service retirement. Members are also

eligible for retirement benefits without a reduction for early retirement based on the original hire date as follows:

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

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

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

- Hired before January 1, 2007 HAS is calculated based on four periods of service credit and is limited to a 15 percent increase between periods, starting with the lowest salary of the four periods.
- 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, starting with the lowest salary of the four periods.

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

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

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

#### Money Purchase Retirement Benefit

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

## Service Requirement and Termination

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

#### Disability and Survivor Benefits

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

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

#### **B. FUNDING POLICY**

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

From July 1, 2006, to December 31, 2006, the state contributed 10.65 percent (13.35 percent for state troopers and 14.16 percent for judges in the Judicial Branch) of the employee's gross covered wages to the plan. From January 1, 2007, to June 30, 2007, the state contributed 11.15 (13.85 for state troopers and 14.66 percent for judges in the Judicial Branch), which represents an additional one percent related to the Amortization Equalization Disbursement (AED).

In the 2004 legislative session, the general assembly established the AED to address a pension-funding short-fall. The AED requires PERA employers to pay an additional .5 percent of salary beginning January 1, 2006, another .5 percent of salary in 2007, and subsequent year increases of .4 percent of salary until the additional payment reaches 3.0 percent in 2012.

The Fiscal Year 2006-07 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, 2006, to December 31, 2006, 9.63 percent was allocated to the defined benefit plan, and
- From January 1, 2007, to June 30, 2007, 10.13 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, 2006, the State Division of PERA had a funded ratio of 73 percent and an infinite amortization period, which means that the unfunded actuarial liability would never be funded at the current contribution rates. In the 2006 legislative session, along with other provisions affecting the plan, the general assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries paid beginning January 1, 2008. The SAED is scheduled to increase by one half percentage point through 2013 resulting in a cumulative increase of three percentage points. The SAED will be terminated when each division's trust fund reaches 100 percent funding. For state employers, each year's one half percentage point increase in the SAED will be deducted from the amount available for increases in state employees' salaries, and used by the employer to pay the SAED.

The state made the following retirement contributions:

- Fiscal Year 2006-07 \$223.6 million
- Fiscal Year 2005-06 \$189.2 million
- Fiscal Year 2004-05 \$189.4 million
- Fiscal Year 2003-04 \$167.7 million
- Fiscal Year 2002-03 \$155.7 million
- Fiscal Year 2001-02 \$135.8 million
  Fiscal Year 2000-01 \$156.0 million
- Fiscal Year 1999-00 \$174.2 million

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

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

The Fire and Police Pension Association (FPPA), a related organization, was established to ensure the financial viability of local government pension plans for police and firefighters. In Fiscal Years 2006-07 and 2005-06, the Department of Local Affairs transferred \$4.0 million and \$3.7 million, respectively, to the association for the premiums of the accidental death and disability insurance policy the association provides to volunteer firefighters. Transfers to ensure the actuarial soundness of the pension plan were suspended in Fiscal Years 2003-04 and 2004-05 to address state budget shortfalls. In Fiscal Years 2006-07 and 2005-06, the State Treasurer transferred \$34.8 million and \$25.3 million, respectively, to the pension plan.

#### **Component Units**

The University of Colorado Hospital Authority participates in two pension plans, which cover substantially all of its employees. One plan is the Public Employees Retirement Association defined benefit plan for state employees. The hospital made contributions of \$147,000 to this plan in Fiscal Year 2005-06. The other plan is single employer noncontributory defined benefit plan for which the authority establishes the benefit and contribution rates. The hospital made contributions of \$13.8 million and \$13.0 million in Fiscal Years 2005-06 and 2004-05, respectively. Those amounts were equivalent to the annual required contribution. At July 1, 2005, the latest actuarial valuation date, the plan's unaudited funded ratio was 100 percent; the funded ratio has been at 100 percent since at least July 1, 1998. The authority also provides three other retirement plans, as discussed in Note 21.

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

## NOTE 20 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE

#### **Primary Government**

#### PERA Health Care Trust Fund

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

An additional implicit subsidy exists for participating retirees not eligible for Medicare Part A. This occurs because state statute prohibits PERA from charging different rates to retirees based on their Medicare Part A coverage, notwithstanding that the premium is calculated assuming that the participants have Medicare Part A coverage. At December 31, 2006, the Health Care Trust Fund had an unfunded actuarial accrued liability of \$1.0 billion, a funded ratio of 17.2 percent, and a 37-year amortization period.

Beginning July 1, 2004, the state contribution to the Health Care Trust Fund was 1.02 percent of gross covered wages. The state paid contributions of \$23.1 million, \$20.6 million, \$21.2 million, \$20.4 million, and \$24.6 million in Fiscal Years 2006-07, 2005-06, 2004-05, 2003-04, and 2002-03, Monthly premium costs for participants respectively. 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, all four of PERA's insurance carriers offered high deductible health care plans in 2006. As of December 31, 2006, there were 42,433 participants, including spouses and dependents, from all contributors to the plan.

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

#### Life Insurance Program

During Fiscal Year 2006-07, PERA provided its members access to a group decreasing term life insurance plan offered by UnumProvident in which 41,101 members participated. Active members may join the Unum Provident Plan and continue coverage into retirement. Premiums are collected by monthly payroll deductions or other means. In addition, PERA maintained coverage for 12,790 members under closed group plans underwritten by Anthem Life, Prudential, and New York Life.

#### Other Programs

Separate postemployment health care and life insurance benefit plans exist in some state colleges and universities, but are small in comparison to the PERA plan for state employees. None of these plans were subject to the requirements of Governmental Accounting Standards Board Statement No. 43 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.

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

#### **Component Units**

Employees of CoverColorado are covered under the PERA Health Care Trust Fund discussed above. Employees of the Colorado Water Resources and Power Development Authority are covered under the PERA Health Care Trust Fund and participate in the PERA Life Insurance Program.

#### **NOTE 21 – 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-insured using Anthem Blue Cross Blue Shield as the plan administrator. Between January 1, 2000, and June 30, 2005, self-insured plans were no longer offered, and the state and its employees paid premiums for insurance purchased to cover medical claims. After June 30, 2005, the state once again became self-insured for certain employee and state-official medical claims. The state's contribution to the

premium is subject to approval of the legislature each year, and state employees pay the difference between the state's contribution and the premium. The premiums set by the state are intended to cover claims and include a fee to offset the costs of administering the plan, such as, the online benefits system and communicating benefit provisions. Employee healthcare premiums are allowed on a pretax basis under the state's flexible spending account benefits plan.

The Group Benefits Plan, a Pension and Other Employee Benefits Trust Fund shown in the financial statements on page 66, reports a net asset deficit of \$2.16 million. The net asset deficit related to claims in excess of those anticipated by the plan's actuary would have been \$2.30 million however, administrative net assets of \$141,654 offset that amount. The plan began Fiscal Year 2006-07 with a net deficit of \$150,219, and began the prior fiscal year with a surplus of \$4,734,067.

Effective July 1, 2005, the state terminated the Anthem Blue Cross Blue Shield plans and began offering five self-funded plan options administered by Great West Healthcare, in addition to the fully insured Kaiser HMO plan and the San Luis Valley HMO plan, as well as, three self-funded dental options administered by Delta Dental Plan of Colorado. On July 1, 2006 the state discontinued one of the self-funded medical plan options due to low enrollment.

Before January 1, 1999, the Group Benefit Plans Fund provided an employer paid short-term disability plan for all employees. On January 1, 1999, the Public Employees Retirement Association (PERA) began covering short-term disability claims for state employees eligible under its retirement plan (see Note 19-A). The Group Benefit Plans Fund continues to provide short-term disability coverage for employees not yet qualified for the retirement plan and secondary benefits for employees also covered under the PERA short-term disability plan.

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

## B. EMPLOYEE DEFERRED COMPENSATION PLAN

The state initiated a deferred compensation (457) plan for state employees in 1981. The nine-member Deferred Compensation Committee establishes rules and regulations for implementation of the plan. The Committee comprises the State Controller, the State Treasurer, four plan participants elected by plan members, a participant of the Public Officials' and Employees' Defined Contribution Plan appointed by the Governor, and two members of the General Assembly – one each appointed by the President of the Senate and Speaker of the House. The plan uses a third party administrator, and all costs of administration and funding are borne by the plan participants. The assets of the plan are not assets of the state, but are held in trust for the exclusive benefit of plan participants and their beneficiaries. Fund equity of the plan was \$381.2 million and \$324.3 million at June 30, 2007 and June 30, 2006, respectively. The state has no liability for losses under the plan but does have the duty of due care that is required of a fiduciary agent.

#### C. OTHER RETIREMENT PLANS

#### PERA 401k Plan

The Public Employees' Retirement Association (PERA) offers a voluntary 401(k) plan entirely separate from the defined benefit plan. In 2006 PERA members were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution), to a maximum of \$15,000. In 2007, the maximum increased to \$15,500. Participants who are age 50 and older, and contributing the maximum amount allowable, can make an additional \$5,000 catch-up contribution in 2007, for a total contribution of \$20,500. Contributions and earnings are tax deferred. On December 31, 2006, the plan had net assets of \$1,522.8 million and 72,932 accounts.

#### PERA Defined Contribution Retirement Plan

Effective January 1, 2006, legislation added a defined contribution plan to PERA's 401(k) Voluntary Investment Program. The plan is available to certain new state employees hired after January 1, 2006; these employees have the option of joining the PERA defined benefit plan, the PERA defined contribution plan, or a defined contribution plan administered by the Deferred Compensation Committee of the state. At December 31, 2006, there were 225 participants in the PERA defined contribution plan.

#### State Defined Contribution Retirement Plan

On January 1, 1999, the state began providing a defined contribution retirement plan for certain eligible employees identified in statute. The plan is authorized by Colorado Revised Statutes 24-52-201 through 24-52-208 and is governed by the rules and regulations established for the plan by the nine-member Deferred Compensation Committee. The state is the sole contributing employer of the plan.

Prior to January 1, 2006, the following state employees were eligible to participate in the plan: a member of the general assembly, the Governor, the Lieutenant Governor, the Attorney General, the chief deputy attorney general, the solicitor general, the Secretary of State, the deputy secretary of state, the State Treasurer, the deputy state treasurer, a district attorney, an assistant district attorney, a chief deputy district attorney, a deputy district attorney, or other employee of a district attorney, a member of the public utilities commission, an executive director of a department of state appointed by the governor, an employee of the senate or the house of representatives, and a nonclassified employee of the Governor's Office.

After December 31, 2005, in addition to the individuals listed above, any new employee hired in the state personnel system is eligible to participate in the defined contribution plan unless the employee is:

- an employee of a Higher Education Institution,
- commencing employment as an elected official, or
- has been a member of the Public Employees Retirement Association (PERA) within the prior twelve months.

Notwithstanding these limitations, an employee is eligible to participate in the defined contribution plan if they are a PERA retiree serving as a state elected official. Participation in the plan by eligible employees is voluntary; however, if the election to participate is not made within 60 days the employee automatically becomes a member of the Public Employees Retirement Association (PERA). At June 30, 2006, the plan's three investment contractors reported a total of 756 accounts with 264 individuals actively contributing to the plan.

Contributions to the plan are set in statute as a percent of salary and are required to be the same as the contributions to the defined benefit plan and defined contribution plans administered by PERA. From July 1, 2006, to December 31, 2006, the state contribution rate was 10.65 percent and from January 1, 2007, to June 30, 2007 the rate was 11.15 percent. The employee was required to contribute 8 percent of gross covered wages throughout the year.

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

#### 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.

The state made contributions to other retirement plans of \$71.1 million and \$65.6 million during Fiscal Years 2006-07 and 2005-06, respectively. In addition, the state paid \$62.5 million and \$57.3 million in FICA and Medicare taxes on employee wages during Fiscal Years 2006-07 and 2005-06, respectively.

Of the benefit plans discussed in this note, financial statements for the Deferred Compensation Plan, the state's Defined Contribution Plan, and the Group Benefit Plans are presented on the following page.

#### STATEMENT OF FIDUCIARY NET ASSETS PENSION AND OTHER EMPLOYEE BENEFIT FUNDS JUNE 30, 2007

(DOLLARS IN THOUSANDS)		DEFERRED COMPENSATION PLAN		DEFINED TRIBUTION PLAN	GROUP BENEFIT PLANS		TOTALS	
ASSETS:								
Current Assets:								
Cash and Pooled Cash	\$	838	\$	66	\$	5,248	\$	6,152
Other Receivables, net		3,126		162		6,984		10,272
Due From Other Funds Prepaids, Advances, and Deferred Charges		-		-		13,814 13		13,814 13
Total Current Assets		3,964		228		26,059		30,251
	-	0,704		220		20,007		00,201
Noncurrent Assets:								
Investments: Mutual Funds		372,087		11,527				383,614
Other Investments		5,356		11,527		-		5,356
Total Noncurrent Assets		377,443		11,527				388,970
TOTAL ASSETS		381,407		11,755		26,059		419,221
LIABILITIES: Current Liabilities:								
Accounts Payable and Accrued Liabilities Claims and Judgments Payable		213 -		15 -		10,628 17,547		10,856 17,547
Total Current Liabilities		213		15		28,175		28,403
Noncurrent Liabilities:								
Accrued Compensated Absences		9		1		42		52
Total Noncurrent Liabilities		9		1		42		52
TOTAL LIABILITIES		222		16		28,217		28,455
NET ASSETS: Held in Trust for:								
Pension/Benefit Plan Participants		374,343		11,527		_		385,870
Unrestricted		6,842		212		(2,158)		4,896
TOTAL NET ASSETS	\$	381,185	\$	11,739	\$	(2,158)	\$	390,766

# STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PENSION AND OTHER EMPLOYEE BENEFIT FUNDS FOR THE YEAR ENDED JUNE 30, 2007

(DOLLARS IN THOUSANDS)	DEFERF COMPENS PLAN	ATION CON	DEFINED CONTRIBUTION PLAN		GROUP BENEFIT PLANS		TOTALS	
ADDITIONS:								
Member Contributions	\$ 42	2,199 \$	1,488	\$	69,976	\$	113,663	
Employer Contributions		-	1,885		122,180		124,065	
Investment Income/(Loss)	46	,706	1,530		676		48,912	
Employee Deferral Fees		848	243		910		2,001	
Other Additions		1	1		21,543		21,545	
TOTAL ADDITIONS	89	,754	5,147		215,285		310,186	
DEDUCTIONS:								
Benefits and Withdrawals	31	,753	1,718		-		33,471	
Health Insurance Premiums Paid		-	-		63,948		63,948	
Health Insurance Claims Paid		-	-		104,886		104,886	
Other Benefits Plan Expense		-	-		17,998		17,998	
Administrative Expense		854	127		-		981	
Other Deductions		232	4		30,364		30,600	
Transfers-Out		21	2		97		120	
TOTAL DEDUCTIONS	32	2,860	1,851		217,293		252,004	
CHANGE IN NET ASSETS	56	,894	3,296		(2,008)		58,182	
FISCAL YEAR BEGINNING	324	,291	8,443		(150)		332,584	
FISCAL YEAR ENDING	\$ 381	,185 \$	11,739	\$	(2,158)	\$	390,766	

#### **Component Units**

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

The University of Colorado Hospital Authority provides a single employer defined contribution plan (401a) and a single employer tax-deferred annuity plan (403b) that required the authority to make matching contributions of \$4.2 million in Fiscal Year 2005-06. The hospital also provides a single employer tax deferred plan (457b) that did not require authority contributions. All three plans are administered by third-party investment companies. The financial statements of these pension plans are available from the authority.

#### NOTE 22 – RISK MANAGEMENT

#### **Primary Government**

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

All funds and agencies of the state with the exception of the component units, the University of Colorado, Colorado State University (not including CSU-Pueblo), and the University of Northern Colorado, participate in the Risk Management Fund. Agency premiums are based on an assessment of risk exposure and historical claims experience.

Claims are reported in the General Fund in accordance with GASB Interpretation No. 6, and therefore, related liabilities are only reported to the extent that they are due and payable at June 30. On the government-wide statements, risk management liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Those liabilities include an amount for claims that have been incurred but not reported and an adjustment for nonincremental claims expense that is based on current administrative costs as a percentage of current claims and projected to the total actuarial claims estimate. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount.

Claims liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. A contractor completes an actuarial study each year determining both the short and long-term liabilities of the Risk Management Fund.

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

Before January 1, 2000, the state was self-insured for medical claims of employees and state officials under the State Employee and Officials Group Insurance Internal Service Fund. From January 1, 2000 through June 30, 2005, the state purchased insurance for those claims. Beginning July 1, 2005, the state returned to self insurance for employee and officials medical claims except for stoploss insurance purchased for claims over \$50,000 per individual. The claims and related liabilities are reported in the Group Benefit Plans, a Pension and Other Employee Benefits Trust Fund (see Note 21).

claims related to events occurring October 1, 1996, the Regents of the University of Colorado participates in the University of Colorado Insurance Pool (UCIP) - a public-entity self-insurance pool. After that date, the university became self-insured for workers' compensation, auto, and general and property liability. An actuary projects both the pool and the self-insured plan undiscounted liabilities. university purchases excess insurance for losses over its self-insured retention of \$500,000 per property claim, \$750,000 per worker's compensation claim, and \$1,000,000 per general liability claim. Tort claims are subject to the governmental immunity act, and damages are capped for specified waived areas at \$150,000 per person and \$600,000 per occurrence. There were no reductions of insurance coverage in Fiscal Year 2006-07, and settlements did not exceed insurance coverage in any of the three prior fiscal years. The university purchased two annuity contracts for workers compensation claims in Fiscal Year 2006-07, which reduced the UCIP liability by \$257,781.

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 at Denver and Health Sciences Center. The university manages excess risk exposure for staff medical claims by purchasing stop-loss insurance of \$200,000 per person and \$7.6 million in aggregate annually. There were no reductions of insurance coverage in Fiscal Year 2006-07 for this program. There have been no collections against the aggregate stop-loss insurance in the

previous three years; however, the university collected \$1,127,484 from the stop-loss insurance carrier for individual claims in excess of the threshold in Fiscal Year 2006-07. An insurance brokerage firm estimates liabilities of the plan using actuarial methods.

The University of Colorado at Denver and Health Sciences Center also self-insures its faculty, and staff for medical malpractice through the University of Colorado Self-Insurance Trust consistent with the limits of governmental immunity. For claims outside of governmental immunity, the Trust has purchased insurance to cover claims greater than \$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 2006-07, and settlements have not exceeded insurance coverage in any of the prior three fiscal years

Colorado State University is self-insured for employee medical and dental plans, but purchases re-insurance for healthcare claims over \$200,000. The related liability is based on underwriting review of claims history and current data. A liability is recorded for the university's employee long-term disability plan based on expected claims payout as determined by the third party administrator. The university is self-insured for worker's compensation up to \$500,000, and has purchased re-insurance for individual claims from \$500,000 to \$1.0 million. For general liability claims, the university is self-insured up to \$500,000 per occurrence and has purchased excess insurance for claims over that amount.

Colorado State University general liability claims arising out of employment practices are self-insured up to \$1.0 million with excess insurance purchased for claims between \$1.0 million and \$5.0 million. The university is self-insured for property damage up to \$100,000, but has purchase excess insurance providing coverage up to \$1.0 billion per occurrence. There were no significant reductions in insurance coverage in Fiscal Year 2006-07, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

The University of Northern Colorado manages general liability, property, auto, and workers' compensation risks primarily through the purchase of insurance. The university has purchased \$3.0 million of general liability insurance (\$5,000 deductible). \$3.0 million of product liability/malpractice insurance (\$5,000 deductible), \$1.0 million of automobile liability (\$0 deductible), \$3.0 million of errors and omissions insurance (\$100,000 deductible), \$500,000 of worker's compensation insurance (\$1,000 deductible), \$100,000 of employee fraud insurance (\$1,000 deductible), and \$250.0 million of commercial property insurance (\$10,000 deductible). Before Fiscal Year 2005-06, the university was covered under the state risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2006-07, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

Changes in claims liabilities were as follows:

# Changes in Claims Liabilities (Amounts in Thousands)

Fiscal Year	Liability at July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability at June 30
State Risk Management:				
Liability Fund				
2006-07	\$ 25,167	\$ 3,333	\$ 4,541	\$ 23,959
2005-06	18,962	11,476	5,271	25,167
2004-05	24,541	(142)	5,437	18,962
Workers' Compensation				
2006-07	82,123	24,659	30,687	76,095
2005-06	74,072	34,530	26,479	82,123
2005-06	74,130	34,530	26,537	82,123
Group Benefit Plans:				
2006-07	15,175	134,363	131,991	17,547
2005-06	-	118,491	103,316	15,175
2004-05	-	-	-	-
University of Colorado:				
General Liability, Property, and Workers' Compensation				
2006-07	15,720	4,701	7,072	13,349
2005-06	15,012	6,072	5,364	15,720
2004-05	12,841	8,838	6,667	15,012
University of Colorado at Denver and Health	Sciences Center:			
Medical Malpractice				
2006-07	6,561	(767)	548	5,246
2005-06	6,556	965	960	6,561
2004-05	8,759	(225)	1,978	6,556
Graduate Medical Education Health Benefits Program				
2006-07	1,024	6,196	6,082	1,138
2005-06	972	5,723	5,671	1,024
2004-05	812	5,166	5,006	972
Colorado State University:				
Medical, Dental, and Disability Benefits				
2006-07	11,742	22,664	20,453	13,953
2005-06	10,242	18,951	17,451	11,742
2004-05	9,841	16,166	15,765	10,242
University of Northern Colorado:				
General Liability, Property,				
and Workers' Compensation 2006-07	1,725	(889)	478	358
2006-07	1,720	(007)	4/0	
2005-06	-	-	-	1,725

#### **Component Units**

In order to manage malpractice claims risk, the University of Colorado Hospital Authority participates in a selfinsurance trust called the University of Colorado Self-Insurance and Risk Management Trust. The trust provides coverage up to the governmental immunity limits and contracts with a commercial insurance company for coverage to \$6.0 million per occurrence when governmental immunity does not apply. For Fiscal Year 2005-06, the hospital recorded premium and administrative expenses of \$413,000. The trust had a fund balance of \$3.7 million, which was in excess of \$6.6 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, employee health and dental through commercial insurance companies.

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

The Denver Metropolitan Major League Baseball Stadium District purchases commercial insurance to mitigate most of its risk of loss. It requires its lessee and contractors to cover certain other risks. These parties provided the required coverage at their own cost in 2006. There were no significant reductions in insurance coverage from the prior year.

#### **NOTE 23 – LEASE COMMITMENTS**

#### **Primary Government**

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

At June 30, 2007, the state had the following gross amounts of assets under capital lease:

(Amounts in Thousands)
Gross Assets Under Lease

				Equipment
	Land	В	uildings	and Other
Governmental Activities	\$ -	\$	20,332	\$ 14,345
Business-Type Activities	2,435		51,439	13,017
Total	\$ 2,435	\$	71,771	\$ 27,362

At June 30, 2007, the state expected the following sublease rentals related to its capital and operating leases:

(Amounts in Thousands)

Sublease Rentals									
	Capital		Ope	rating	Total				
Governmental Activities	\$	-	\$	18	\$	18			
Business-Type Activities		-		23		23			
Total	\$	-	\$	41	\$	41			

During the year ended June 30, 2007, the state incurred the following contingent rentals related to capital and operating leases:

(Amounts in Thousands)

Co	nting	ent Re	ntals			
	Cap	oital	Ope	rating	To	otal
Business-Type Activities	\$	-	\$	41	\$	41
Total	\$	-	\$	41	\$	41

Colorado State University Research Foundation, a related party, is a not-for-profit Colorado corporation, established to aid and assist the two institutions governed by the Colorado State University System Board of Governors in their research and educational efforts. The support provided by the foundation to the institutions includes patent and licensing management, equipment leasing, municipal lease administration, debt financing, and land acquisition, development and management. Colorado State University subleases space and vehicles from the foundation. The total obligation at June 30, 2007, for the space and vehicles was \$75,224 and \$290,042, respectively. The Colorado State University System leases equipment from the foundation and has a total lease obligation of \$1,895,178.

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

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

Trinidad State Junior College made operating lease payments of \$105,655 to the Trinidad State Junior College Educational Foundation.

The Colorado Community College System made lease payments of \$580,769 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 2006-07, the state recorded building and land rent of \$37.5 million and \$19.2 million in governmental and business-type activities, respectively. The state also recorded equipment and vehicle rental expenditures of \$7.3 million and \$28.3 million in governmental and business-type activities, respectively. The above amounts were payable to entities outside the state and do not include transactions with the state fleet management program. The state recorded \$0.26 million of lease interest costs in the governmental activities and \$0.87 million in the business-

type activities.

The \$3.9 million of capital lease proceeds shown on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balance* is primarily related to the Department of Corrections entering a building lease for \$2.8 million and a bus lease for \$4 million.

Future minimum payments at June 30, 2007, for existing leases were as follows:

(Amounts in Thousands)

	Operatir	ng Leases	Capital Leases				
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities			
2008	\$ 35,799	\$ 11,934	\$ 3,133	\$ 8,529			
2009	31,440	9,358	2,944	7,874			
2010	33,105	7,333	2,778	7,428			
2011	26,112	4,547	2,787	6,930			
2012	52,834	2,940	2,677	6,337			
2013 to 2017	87,303	8,515	10,122	30,067			
2018 to 2022	2,736	58	6,554	23,940			
2023 to 2027	2,440	2	2,585	6,189			
2028 to 2032	1,263	2	-	3,481			
2033 to 2037	870	-	-	164			
Total Minimum Lease Payments	273,902	44,689	33,580	100,939			
Less: Imputed Interest Costs	-	-	3,124	32,318			
Present Value of Minimum Lease Paymen	t \$ 273,902	\$ 44,689	\$ 30,456	\$ 68,621			

#### **Component Units**

The University of Colorado Hospital Authority leases certain equipment under noncancellable operating leases. Rental expense for operating leases approximated \$5.9 million for Fiscal Years 2005-06. Future minimum lease payments for these leases at June 30, 2006, are:

(Amounts in Thousands)

Fiscal Year	Amount
2007 2008 2009 2010 2011 Thereafter	\$ 7,179 3,313 2,522 1,769 1,683 6,823
Total Minimum Obligations	\$23,289

The Colorado Water Resources and Power Development Authority leases office facilities under an operating lease that expired March 31, 2007, and is currently negotiating a new lease agreement. Total rental expense for the year ended December 31, 2006 was \$115,058.

CoverColorado leases office facilities under an operating lease that expires in 2010. Total rental expense for the year ended December 31, 2006, was \$36,651. The total minimum rental commitment under this lease is \$98,031 for years 2007 through 2010.

Effective October 1, 1999, the University of Colorado Foundation entered an agreement to lease the building in which it operated. The foundation recorded a lease liability equal to the present value of the future minimum lease payments under the lease, which is currently \$4.8 million. Total minimum lease payments including interest at June 30, 2006, were \$7.6 million. The lessor of the building has promised to make a nonreciprocal transfer of the building to the foundation on or before September 2014. The net book value of the property and equipment under the capital lease totaled \$3.4 million, net of accumulated depreciation of \$2.4 million, as of June 30, 2006.

#### NOTE 24 - SHORT-TERM DEBT

On July 6, 2006, the State Treasurer issued \$650.0 million of General Fund Tax Revenue Anticipation Notes, Series 2006A. The notes were due and payable on June 27, 2007, at an average coupon rate of 4.6 percent. The notes were issued to meet short-term cashflow needs of the General Fund and were repaid before June 30, 2007, as required by the State Constitution.

Statutes authorize the State Treasurer to issue notes for local school districts in anticipation of local school district revenues to be collected at a later time. On July 11, 2006, the State Treasurer issued \$145.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2006A. The notes carried an average coupon rate of 4.5 percent and matured on August 3, 2007.

On December 19, 2006, the State Treasurer issued \$200.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2006B. The notes carried an average coupon rate of 3.75 percent and matured on August 3, 2007. For each issuance, the State Treasurer established a Note Repayment Account that was funded before June 30, 2007, in an amount adequate to fully defease the outstanding notes. School districts were required to repay the loans prior to the state's fiscal year end, and the State Treasurer placed the loan repayments in a separate account that was restricted to paying off the notes on the August 3, 2007, due date.

The following schedule shows the changes in short-term financing for the period ended June 30, 2007:

(Amount	in	Thousands)
(/ tilloulit		i i i o a sai i a s j

	Beginning Balance		Cha			Ending Balance	
	July 1	A	Additions		Reductions		June 30
Governmental Activities:							
Tax Revenue Anticipation Notes	\$ -	\$	650,000	\$	(650,000)	\$	-
Education Loan Anticipation Notes	415,000		345,000		(415,000)		345,000
Total Governmental Activities Short-Term Financing	415,000		995,000		(1,065,000)		345,000
Total Short-Term Financing	\$ 415,000	\$	995,000	\$	(1,065,000)	\$	345,000

#### NOTE 25 - NOTES AND BONDS PAYABLE

#### **Primary Government**

Many Higher Education Institutions, the Department of Corrections, the Highway Users' Tax Fund, the State Nursing Homes, and CollegeInvest have issued bonds and notes for the purchase of equipment, construction of facilities and infrastructure, and to finance student loans. Specific user revenues are pledged for the payments of interest and future retirement of the obligations. The state is not allowed by its Constitution to issue general obligation debt.

During Fiscal Year 2006-07, 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 \$594.6 million of available net revenue after operating expenses to meet the \$174.2 million of debt service requirement related to these bonds. However, the revenue of an individual business-type activity is generally not available to meet the debt service requirements of another business-type activity.

The state recorded \$250.0 million of interest costs, of which, \$115.0 million was recorded by governmental activities and \$135.0 million was recorded by businesstype activities. The governmental activities interest cost primarily comprises \$35.8 million of General Fund interest on Tax Revenue Anticipation Notes issued by the Department of Treasury, \$71.5 million of Highway User Tax Fund interest on Transportation Revenue Anticipation Notes issued by the Department of Transportation, and \$5.7 million of interest primarily on Certificates of Participation issued by the Department of Corrections. The business-type activities interest cost primarily comprises \$42.8 million of interest on revenue bonds issued by Higher Education Institutions, \$72.1 million of interest on revenue bonds issued by CollegeInvest, and \$19.4 million of interest paid to lending institution that made loans to students under the College Assist loan guarantee program. College Assist is a nonmajor enterprise fund.

Annual maturities of notes and bonds payable at June 30, 2007, are as follows:

(Amounts in Thousands)

	Governmental Activities											
Fiscal	Reven	ue Bonds	Notes Payable Certificates of Participation			Totals						
Year	Principal	Interest	Principal	Intere	st	Principal		Interest		Principal		Interest
2007	\$ 102,475	\$ 65,514	\$ 345,000	\$ 10,974	\$	9,775	\$	7,618	\$	457,250	\$	84,106
2008	107,795	60,197	-			6,355		7,371		114,150		67,568
2009	113,300	54,691	-			9,135		10,979		122,435		65,670
2010	119,385	48,605	-			12,570		7,025		131,955		55,630
2011	125,265	42,725	-			12,325		6,461		137,590		49,186
2012 to 2016	702,975	99,358	-			55,530		24,846		758,505		124,204
2017 to 2021	-	_	-			51,995		10,581		51,995		10,581
2022 to 2026	-	_	-			4,485		3,441		4,485		3,441
2027 to 2031	-	_	-			7,110		2,074		7,110		2,074
2032 to 2036	-	-	-			3,785		288		3,785		288
Subtotals	1,271,195	371,090	345,000	10,974	1	173,065		80,684	1	,789,260		462,748
Unamortized												
Prem/Discount	48,523	-	_			10,138		-		58,661		
Totals	\$1,319,718	\$ 371,090	\$ 345,000	\$ 10,974	\$	183,203	\$	80,684	\$1	,847,921	\$	462,748

#### (Amounts in Thousands)

				Business-Ty	pe Activities					
Fiscal	Reven	ue Bonds	Notes P	ayable	Mortgages	Payable	Certificates of Pa	rticipation	Tot	als
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 56,603	\$ 133,508	\$ 996	\$ 331	\$ 45 \$	5	\$ 5,354 \$	10,043	\$ 62,998	\$ 143,887
2008	43,955	135,191	1,272	326	48	2	5,584	9,818	50,859	145,337
2009	44,395	129,403	1,325	272	-	-	5,814	9,582	51,534	139,257
2010	45,835	127,502	954	217	-	-	6,044	9,357	52,833	137,076
2011	47,260	125,705	1,571	178	-	-	6,293	9,114	55,124	134,997
2012 to 2016	255,934	602,350	2,662	438	-	-	36,353	40,890	294,949	643,678
2017 to 2021	265,751	553,501	591	31	-	-	44,555	31,221	310,897	584,753
2022 to 2026	450,129	477,263	48	5	-	-	54,252	19,040	504,429	496,308
2027 to 2031	183,170	387,960	-	-	-	-	48,837	4,968	232,007	392,928
2032 to 2036	618,730	274,828	-	-	-	-	-	-	618,730	274,828
2037 to 2041	900,110	118,480	-	-	-	-	-	-	900,110	118,480
Subtotals	2,911,872	3,065,691	9,419	1,798	93	7	213,086	144,033	3,134,470	3,211,529
Unamortized										
Prem/Discount	23,511	-	(49)	-	-	-	5,830	-	29,292	
Totals	\$2,935,383	\$3,065,691	\$ 9,370	\$ 1,798	\$ 93 \$	5 7	\$ 218,916 \$	144,033	\$3,163,762	\$3,211,529

#### **Component Units**

The debt service requirements to maturity for the Water Resources and Power Development Authority at December 31, 2006, excluding unamortized original issue discount and premium and deferred refunding costs are:

(Amounts in Thousands)

					,		
Yea	r	Pr	rincipal	I	nterest		Total
200	7	\$	48,230	\$	51,853	\$	100,083
200	8		49,305		50,158		99,463
200	9		50,545		47,933		98,478
201	0		53,440		45,595		99,035
201	1		57,160		43,047		100,207
2012 to	2016		269,590		175,390		444,980
2017 to	2021		238,725		113,012		351,737
2022 to	2026		154,685		62,022		216,707
2027 to	2031		59,970		37,327		97,297
2032 to	2036		82,855		20,824		103,679
2037 to	2041		24,435		7,042		31,477
2042 to	2043		11,665		926		12,591
Total Future Payments		\$ 1	,100,605	\$	655,129	\$ 1	1,755,734

The original principal amount for the outstanding bonds was \$1.6 billion. Total interest paid during 2006 amounted to \$51.8 million.

All of the Colorado Water Resources and Power Development Authority's Small Water Resources Program bonds and the Series 1989A and Series 1990A Clean Water Revenue Bonds are insured as to payment of principal and interest by Financial Guaranty Insurance Company. The Clean Water Revenue Bonds, Series 1992A are insured as to payment of principal and interest by Financial Security Assurance, Inc. The Wastewater Revolving Fund Refunding Revenue Bonds, Series 1996A are insured as to payment of principal and interest by AMBAC Indemnity Corporation.

The Water Resources Revenue Bonds, Series 2003A and 2003B, Series 2004A, 2004B, 2004C, 2004D, and 2004E, and Series 2005A, 2005E, and 2005F are insured as to payment of principal and interest by MBIA Insurance Corporation. The Water Resources Revenue Bonds Series 2005B and Series 2005C are insured as to payment of principal and interest by Assured Guaranty Corp. The Water Resources Revenue Bond Series 2005D are insured as to payment of principal and interest by Financial Security Assurance, Inc. The authority can issue up to \$150,000,000 (excluding refunding bonds) of outstanding Small Water Resources Revenue Bonds and as of December 31, 2006, had \$98,245,000 of these bonds outstanding.

In April 2006, the University of Colorado Hospital Authority entered into a 5-year capital lease for medical equipment totaling approximately \$1.9 million. Due to rapid changes in technology, the authority opted to lease, rather than purchase the equipment.

In May 2006, the University of Colorado Hospital Authority issued a combined total of \$103.0 million of Series 2006A and 2006B Revenue Bonds with interest rates averaging 5.13 and 4.50 percent, respectively. Proceeds from the bonds will be used to construct the Leprino Office Building.

During Fiscal Year 2005-06, the authority met all the financial ratio requirements of its bond indentures. Cash paid for interest by the hospital in Fiscal Year 2005-06 approximated \$21.3 million. Total interest cost capitalized in Fiscal Year 2005-06 amounted to \$1.3 million, which is net of \$3.8 million of investment income from the unexpended bond funds. The aggregate maturities of long-term debt for the University of Colorado Hospital Authority at June 30, 2006 are:

#### (Amounts in Thousands)

Year	Principal	Interest	Total		
2007	\$ 7,600	\$ 24,924	\$ 32,524		
2008	7,955	24,627	32,582		
2009	8,352	24,264	32,616		
2010	8,732	23,892	32,624		
2011	8,962	23,508	32,470		
2012 to 2016	37,900	111,294	149,194		
2017 to 2021	52,015	98,370	150,385		
2022 to 2026	100,835	81,636	182,471		
2027 to 2031	100,355	59,983	160,338		
2032 to 2036	123,905	34,103	158,008		
2037 to 2042	103,000	12,295	115,295		
Total Long-Term Debt Payments	559,611	518,896	1,078,507		
Less: Unamortized Discount	(3,425)				
Deferred Amount on Refunding of					
Series 1997 A Bonds	(5,513)				
Total Carrying Amount of Long-Term Debt	\$ 550,673				

Bear Creek I, LLC (Bear Creek) is a Colorado limited liability company whose sole member is the University of Colorado Foundation. Bear Creek borrowed \$69.1 million of the proceeds from the Colorado Educational and Cultural Facilities Authority (CECFA) 2002 Student Housing Revenue Bonds issuance. CECFA is a related party of the state. Bear Creek used the borrowing proceeds to fund construction and to furnish a student housing facility and a community center, to fund interest costs during the construction period, and to pay issuance costs. The bonds carry a true interest cost of 5.2 percent. They are payable from loan payments made by Bear Creek to CECFA, from funds held by the bond trustee, and from a Commitment of Support agreement in which Bear Creek has agreed to make up any deficiency from

the first two sources. At June 30, 2006, the scheduled June 30 principal payments were \$1.0 million for 2007, \$1.2 million for 2008, \$1.4 million for 2009, \$1.5 million for 2010, \$1.5 million for 2011, and \$61.2 million thereafter. At June 30, 2006, the trustee held \$6.0 million in overnight repurchase agreements for various purposes related to Bear Creek's activities and debt service.

In June 2004, the University of Colorado Foundation established a \$20.0 million unsecured line of credit with a bank. The credit line carries variable interest based on the LIBOR or the prime rate. As of June 30, 2006, no amounts were outstanding.

#### NOTE 26 - CHANGES IN LONG-TERM LIABILITIES

#### **Primary Government**

The following table summarizes the changes in long-term liabilities for Fiscal Year 2006-07:

(Amount in Thousa	isands	Thous	in	Amount	(A
-------------------	--------	-------	----	--------	----

	Beginning Balance	Cha	nges	Ending Balance	Due Within	
	July 1	Additions	Reductions	June 30	One Year	
Governmental Activities						
Deposits Held In Custody For Others	\$ 3,801	\$ 2	\$ (1,045)	\$ 2,758	\$ 2,741	
Accrued Compensated Absences	122,297	44,218	(40,720)	125,795	9,533	
Claims and Judgments Payable	392,867	-	(56,045)	336,822	40,948	
Capital Lease Obligations	17,482	14,343	(1,369)	30,456	2,807	
Bonds Payable	1,545,250	-	(225,532)	1,319,718	102,475	
Certificates of Participation	69,670	128,169	(14,636)	183,203	9,775	
Other Long-Term Liabilities	210,369	3,207	(6,604)	206,972		
Total Governmental Activities Long-Term Liabilities	2,361,736	189,939	(345,951)	2,205,724	168,279	
Business-Type Activities						
Accrued Compensated Absences	151,121	30,193	(15,416)	165,898	12,578	
Claims and Judgments Payable	55,826	51,243	(51,999)	55,070	8,004	
Capital Lease Obligations	60,725	12,899	(5,003)	68,621	4,950	
Bonds Payable	2,446,217	1,299,893	(810,727)	2,935,383	56,603	
Certificates of Participation	118,844	140,697	(40,625)	218,916	5,354	
Notes, Anticipation Warrants, Mortgages	6,947	3,007	(491)	9,463	1,041	
Other Long-Term Liabilities	57,414	6,997	(5,720)	58,691	4,595	
Total Business-Type Activities Long-Term Liabilities	2,897,094	1,544,929	(929,981)	3,512,042	93,125	
Fiduciary Activities						
Deposits Held In Custody For Others	266,422	5,836	(25,234)	247,024	194,478	
Accrued Compensated Absences	42	23	(13)	52	-	
Other Long-Term Liabilities	2,462	873	(501)	2,834	-	
Total Fiduciary Activities Long-Term Liabilities	268,926	6,732	(25,748)	249,910	194,478	
Total Primary Government Long-Term Liabilities	\$ 5,527,756	\$ 1,741,600	\$ (1,301,680)	\$ 5,967,676	\$ 455,882	

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 employees 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 24. A current portion is not normally identifiable for Other Long-Term Liabilities.

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 Note 22 for the amount of claims reported and paid and other adjustments to these actuarially determined liabilities.

At June 30, 2007, the following obligations were classified as Other Long-Term Liabilities on the government-wide *Statement of Net Assets*.

The \$207.0 million shown for governmental activities represents tax refunds payable, which were at various levels of administrative and legal appeal. These refunds relate to tax revenues of the General Fund and Highway Users Tax Fund. Payment is not expected within one year.

The \$54.1 million shown for business-type activities primarily comprises:

- \$34.2 million of commitments to pay future tuition costs related to the prepaid tuition program of CollegeInvest. An additional \$4.6 million will be paid within one year and is reported as an other current liability.
- \$19.6 million of deferred revenue that the state does not expect to recognize within the following year. The most significant balances relate to a ground lease at the University of Northern Colorado (\$2.3 million) and accrued interest on Capital Appreciation Bonds not due until Fiscal Year 2015 at the Colorado School of Mines (\$1.3 million).

#### **Component Units**

Changes in long-term liabilities are summarized as follows:

#### (Amounts in Thousands)

	ļ	Beginning Balance	Additions Reductions		Ending Balance		Current Portion			
University of Colorado Hospital Aut	thority									
Bonds Payable	\$	451,955	\$	105,629	\$	6,911	\$	550,673	\$	7,600
Colorado Water Resources and Power Development Authority										
Bonds Payable Other Long-Term Liabilities	\$ \$	1,014,948 332,246	\$ \$	100,755 121,331	\$ \$	63,031 194,473	\$ \$	1,052,672 259,104	\$ \$	48,230 219,118

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

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

At June 30, 2006, the University of Colorado Foundation held \$112.5 million of endowments and other funds for the University of Colorado and its affiliates. On the *Statement of Net Assets – Component Units*, this liability is reported as Deposits Held in Custody.

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

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

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

At June 30, 2006, total life income agreement assets of CSUF were \$1.2 million. Life income agreements payable at the same date totaled \$1.0 million. The estimated net present value of obligations to named beneficiaries is reported as an Other Long-Term Liability on the *Statement of Net Assets – Component Units*. At June 30, 2006, the foundation held \$13.0 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, 2006, the Colorado School of Mines Foundation (CSMF), acting as trustee, held charitable trust and pooled income assets of \$16.9 million; related liabilities of \$6.6 million are calculated using the Internal Revenue Service discount rate for computing charitable contribution deductions. The estimated net present value of obligations to named beneficiaries is reported as an Other Long-Term Liability on the *Statement of Net Assets – Component Units*.

CSMF has also entered several gift annuity contracts that require future payments to the donor or their named beneficiaries; these requirements are reported as an Other Long-Term Liability of \$3.5 million on the *Statement of Net Assets — Component Units.* At June 30, 2006, CSMF reported \$12.2 million of assets held in trust, primarily for the Colorado School of Mines, which are shown on the *Statement of Net Assets — Component Units* as Deposits Held in Custody.

#### NOTE 27 – DEFEASED DEBT

#### **Primary Government**

Debt is defeased by depositing in escrow accounts an amount sufficient, together with known minimum investment yields, to pay principal, interest, and any redemption premium on the debt to be defeased. During Fiscal Year 2006-07, debt was defeased in the business-type activities

At June 30, 2007, the remaining balances of amounts previously placed in escrow accounts with paying agents are as follows:

#### (Amount in Thousands)

Agency	Amount
Governmental Activities:	
Department of Transportation	\$ 666,485
Business-Type Activities:	
University of Colorado	171,865
Auraria Higher Education Center	24,419
Western State College	15,035
Fort Lewis College	4,570
University of Northern Colorado	1,265
Colorado School of Mines	574
Total	\$ 884,213

The Regents of the University of Colorado issued \$195,014,723 of its University Enterprise Refunding Revenue Bonds Series 2007A to defease all of its Enterprise System Revenue Refunding Bonds Series 1999A, Master Lease Purchase Agreement Certificates of Participation Series 2003A, and to partially defease its Enterprise System Revenue Refunding Bonds Series 1995A, Enterprise System Revenue Refunding and Improvement Bonds Series 2001B, Enterprise System

Revenue Bonds Series 2002A, Tax-Exempt Enterprise System Revenue Bonds Series 2002B, and its Master Lease Purchase Agreement Certificates of Participation Taxable Series 2003B. The defeased debt had interest rates ranging from 3.125 percent to 5.50 percent and the new debt has interest rates ranging from 3.625 percent to 5.00 percent. The remaining term of the debt was unchanged at 27 years, and the estimated debt service cash flows decreased by \$11,028,273. The defeasance resulted in an economic gain of \$7,335,694 and a book loss of \$9,478,277 that will be amortized as an adjustment of interest expense over the remaining 27 years of the new debt.

#### **Component Units**

In November 1997, the University of Colorado Hospital Authority issued \$123.9 million in Hospital Refunding Revenue Bonds to advance refund Series 1992A bonds. The refunding resulted in legal defeasance and a deferred loss, which the hospital is charging to operations through Fiscal Year 2022-23. At June 30, 2006, the unamortized deferred loss on refunding is \$5.5 million. The hospital completed the advance refunding to reduce its total debt service payments over the subsequent 25 years by \$6.0 million and to obtain an economic gain of \$3.2 million.

During 2006, the Colorado Water Resources and Power Development Authority issued \$14.0 million of 2006A Small Water Resources Bonds 2006 Series A to advance refund portions of its 1994A, 1997A, and 2000A Small Water Resources Revenue Bonds totaling \$13.6 million. The difference between the new debt and the carrying amount of the old debt was a book loss of \$350,000, which will be amortized against the new debt over the life of the refunded debt. The refunding resulted in an economic gain of approximately \$1.0 million.

#### NOTES 28 THROUGH 29 - DETAILS OF NET ASSETS AND FUND EQUITY

#### NOTE 28 – PRIOR PERIOD ADJUSTMENTS

#### **Primary Government**

The beginning net assets of the Governmental Activities on the government-wide *Statement of Activities* decreased by \$7,351,461 when the Department of Transportation recorded adjustments related to refining its process for identifying and recording construction in progress that warrants capitalization under the modified approach to reporting infrastructure assets. This adjustment did not affect any of the fund level financial statements.

The beginning fund balance of the Highway Users Tax Fund, a major Special Revenue Fund, decreased by \$1,907,090, and the beginning fund balance of the Other Governmental Funds increased by the same amount. This adjustment was the result of moving uncollected receivables between the funds due to a statutory change that created the Sales and Use Tax Holding Fund, a nonmajor Other Special Revenue Fund. The Sales and Use Tax Holding Fund records 10.355 percent of sales and use tax for subsequent distribution to the Highway Users Tax Fund or the General Fund contingent on the General Fund reserve meeting the statutory four percent reserve requirement. This change had no effect on the government-wide financial statements.

The beginning fund balance of the Other Special Revenue Funds, a nonmajor Special Revenue Fund that was previously reported as a major fund, decreased by \$684,508,246 and the beginning balance of the following nonmajor Special Revenue Funds increased by:

- Labor Fund \$69,636,889
- Resource Extraction \$491,971,106
- Resource Management \$29,959,331
- Environment and Health Protection \$92,940,920

This change was made to ensure that the Other Special Revenue Fund, which is currently reported as nonmajor, does not exceed the threshold for major fund reporting. All five of these funds are reported in Supplementary information in the state's Comprehensive Annual Financial Report, and therefore, the change did not affect the fund level financial statements or the government-wide financial statements.

#### **NOTE 29 – FUND EQUITY**

On the Balance Sheet – Governmental Funds, the Capital Projects Fund Reserve for Statutory Purposes includes the fund equity of the Corrections Expansion Reserve, a Special Capital Construction Fund used to account for Department of Corrections Certificates of Participation, and other minor funds that are allowed to retain fund balances in the Capital Projects Fund. The \$192.6 million reserve for encumbrances represents construction commitments related to projects appropriated by the Legislature in the state's capital construction fund. Those appropriations are multi-year budgets (see Note RSI-1B) that are funded by various sources including general-purpose revenue, cash earnings by state agencies, and federal revenue. In most instances, the cash and federally funded resources that will support these appropriations have not yet been earned in the Capital Projects Fund. In years when the generalpurpose revenue transferred into the fund is low the unreserved undesignated fund balance is reported as a deficit because of the unearned cash sources related to the encumbrances.



#### NOTE 30 - INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at June 30, 2007, were:

	neral und	ublic chool	U	ghway sers Tax	apital rojects
SELLER'S/LENDER'S RECEIVABLE					
MAJOR FUNDS:					
General Fund	\$ -	\$ 119	\$	191	\$ -
Public School	-	-		-	-
Highway Users	556	-		-	-
Capital Projects	-	-		-	-
Higher Education Institutions	7,563	-		599	949
CollegeInvest	-	-		-	-
NONMAJOR FUNDS					
SPECIAL REVENUE FUNDS:					
Water Projects	5	_		_	148
Labor	521	_		_	_
Resource Extraction	19	_		_	_
Resource Management	5	_		10	11
Environment and Health Protection	27	_		37	_
Other Special Revenue	1,463	-		-	-
PERMANENT FUNDS:					
State Lands Trust Nonexpendable	_	_		_	_
Other Permanent Trust Nonexpendable	-	-		-	-
ENTERPRISE FUNDS:					
Correctional Industries	_	_		_	288
Nursing Homes	1,614	-		-	-
INTERNAL SERVICE FUNDS:					
Central Services	_	_		_	_
Public Safety	1	_		_	_
Administrative Hearings	70	-		-	-
FIDUCIARY FUNDS:					
Group Benefit Plans	13,699	_		102	_
College Savings Plan	-	_		-	_
Other Fiduciary	90	-		-	-
TOTAL	\$ 25,633	\$ 119	\$	939	\$ 1,396

Except for the Resource Extraction Fund receivable discussed below, all of the material receivables and related payables shown in the above schedule are the result of normal operating activities where the receivables and payables were not liquidated before the year end close of the state's accounting system. This represents timing differences between when generally accepted accounting principles require transactions to be recognized and when cash is actually distributed.

The Group Benefits Plan Fund receivable of \$13.7 million from the General Fund primarily represents the health insurance benefits premium portion of payroll for services provided in the fiscal year that is required by statute to be paid in the next fiscal year.

The General Fund receivable of \$8.4 million from All Other Funds is primarily related to \$6.7 million receivable from the Limited Gaming Fund, a nonmajor Special Revenue Fund.

The Highway Users Tax Fund receivable of \$64.1 million from All Other Funds is primarily related to \$5.3 million receivable from the Limited Gaming Fund, a nonmajor Special Revenue Fund, and \$58.9 million receivable from the Sales and Use Tax Holding Fund, a portion of the nonmajor Other Special Revenue Fund.

(Amounts in Thousands)

#### BUYER'S/BORROWER'S PAYABLE

Εd	Higher Iucation				State	All Other		
Ins	titutions	Collec	eInvest	L	_ottery	Funds	Total	
\$	1,279	\$	-	\$	_	\$ 8,393	\$ 9,982	
	-		-		8,220	3,852	12,072	
	-		-		-	64,147	64,703	
	5,868		-		-	411	6,279	
	1,090		-		-	5,340 38	14,451 1,128	
	1,090		-		-	38	1,128	
	-		-		-	1,417	1,570	
	-		-		-	-	52	
	-		-		-	82,125	82,144	
	-		-		2,871	13	2,910	
	-		-		-	-	40.10	
	-		-		11,482	27,177	40,122	
	_		_		_	87	87	
	_		-		-	10	10	
	895		-		-	1	1,18	
	-		-		-	2	1,61	
	14		-		-	3	1	
	-		_		-	-	7(	
					-	_	, ,	
	-		-		-	13	13,81	
	-		1,400		<del>-</del>	-	1,40	
	-		-		6,133	125	6,348	
\$	9,146	\$	1,400	\$	28,706	\$ 193,154	\$ 260,493	

The Resource Extraction Fund receivable of \$82.1 million from All Other Funds was recorded by the Severance Tax Trust Fund and is primarily related to \$81.7 million receivable from the Water Projects Fund, a nonmajor Special Revenue Fund. The Water Projects Fund has statutory authority to make loans to local governments and special districts using the assets of the Severance Tax Trust Fund. The loans have terms ranging from 10 to 30 years. However, the borrowing from the Severance Tax Trust Fund is on a revolving basis and will remain in place unless the statutory authority is changed.

The Other Special Revenue Fund receivable of \$27.2 million from All Other Funds is primarily related to a \$19.7 million receivable that the Travel and Tourism Promotion Fund has from the Limited Gaming Fund, and a \$7.0 million receivable that the Clean Energy Fund has from the Limited Gaming Fund.

The Other Special Revenue Fund receivable of \$11.5 million from the Lottery Fund is held by the Conservation Trust Fund to be distributed as grants to purchase, preserve, and improve Colorado open space.

#### NOTE 31 - TRANSFERS BETWEEN FUNDS

#### **Primary Government**

Transfers between funds for the fiscal year ended June 30, 2007, were as follows:

	General Fund	Public School	Highway Users Tax	Capital Projects
TRANSFER-OUT FUND				-
MAJOR FUNDS:	_			
General Fund	\$ -	\$ 2,664,259	\$ 291,179	\$ 292,093
Public School Highway Users	314 26,993	-	-	2,464
Capital Projects	20,773	-	-	2,404
State Education	-	_	-	_
Higher Education Institutions	3,975	_	_	_
CollegeInvest	27	_	_	_
Lottery	382	8,220	-	-
NONMAJOR FUNDS				
SPECIAL REVENUE FUNDS:				
Water Projects	1,177	-	-	-
Labor	22,269	-	-	10
Gaming	7,700	-	5,259	1,635
Tobacco Impact Mitigation	47,849		-	6,405
Resource Extraction	17,739	60,398	-	
Resource Management	20,308	-	-	2,747
Environment and Health Protection Other Special Revenue	9,095	-	220 502	595
Other Special Revenue	40,190	-	230,582	595
PERMANENT FUNDS:				
State Lands Trust Expendable	32	31,388	-	-
State Lands Trust Nonexpendable Other Permanent Trust Nonexpendable	-	-	-	-
OTHER GOVERNMENTAL FUNDS:				
Debt Service	-	-	-	-
ENTERPRISE FUNDS:				
Wildlife	4.606	_	_	_
College Assist	80	-	-	-
Correctional Industries	365	-	-	-
Nursing Homes	96	-	-	-
Prison Canteens	67	-	-	-
Petroleum Storage	875	-	-	-
Other Enterprise	287	-	-	-
INTERNAL SERVICE FUNDS:				
Central Services	1,558	-	-	-
General Government Computer Center	615	-	-	-
Telecommunications	362	-	-	-
Capitol Complex	698	-	-	-
Administrative Hearings	292	-	-	-
Debt Collection	173	-	-	-
FIDUCIARY FUNDS:				
Deferred Compensation	21	-	-	-
Defined Contribution	2	-	-	-
Group Benefit Plans Treasurer's Private Purpose	97 1,717	-	-	-
TOTAL	\$ 209,961	\$ 2.764.265	\$ 527,020	\$ 305,949
TOTAL	⇒ ∠U9,961	\$ 2,764,265	φ 521,U2U	φ 305,949

In the normal course of events, the Legislature appropriates a large number of transfers between funds exercising its responsibility to allocate the state's resources to programs shown in the above schedule. The most significant of these are the transfers out of the General Fund and into the Public School Fund, the Highway Users Tax Fund, the Capital Projects Fund, and the Higher Education Institutions (primarily for student financial aid, occupational education and job training)

The Labor Fund transfer out of \$22.3 million to the General Fund occurs entirely within the Department of Labor and Employment and provides revenues in the General Fund for programs that support the Labor Fund.

The Highway Users Tax Fund transfer out of \$27.0 million to the General Fund includes \$17.8 million transferred to the Department of Revenue to support programs that generate Highway Users Tax Fund revenue.

The Tobacco Impact Mitigation Fund transfer out of \$47.8 million to the General Fund includes a \$37.6 million transfer from the Health Care Expansion Fund, a \$6.0 million transfer from the Tobacco Litigation Settlement Fund, and a \$1.3 million transfer from the Nurse Home Visitor Program. Each of these transfers were to the Department of Health Care Policy and Financing for purchase of medical services.

(Amounts in Thousands)

#### TRANSFER-IN FUND

-	TRANSFER-IN	N FUND	A.II	
	Higher Education		All Other	
	Institutions	CollegeInvest	Funds	TOTAL
		-		
	\$ 120,203	\$ 162	\$ 32,182	\$ 3,400,078
	20,200	02	14,344	14,658
	-	-	169,466	198,923
	6,405	-	8,297	14,702
	2,287	-	707	2,994
	-	-	-	3,975
	-	-	-	27
	-	-	59,498	68,100
		_	651	1,828
	-	-	6,240	28,519
	-	-	26,677	41,271
	_	_	31,635	85,889
	3,750	-	40,737	122,624
	1,178	-	75	24,308
	-	-	-	9,095
	-	-	5,460	276,827
	104	-	1,213	32,737
	525	-	4,254	4,779
	-	-	35	35
	-	-	4	4
	-	-	296	4,902
	-	-	-	80
	-	-	-	365
	-	-	-	96 67
	-	-	-	875
	-	-	-	287
	_	_	_	1,558
	-	-	-	615
	-	-	-	362
	-	-	415	1,113
	-	-	-	292
	-	-	-	173
	-	-	-	21
	-	-	-	2 97
	-	- -	-	1,717
	\$ 134,452	\$ 162	\$ 402,186	\$ 4,343,995

The Resource Management Fund transfer out of \$20.3 million to the General Fund includes a \$16.9 million transfer within the Department of Natural Resources that was paid out of the Parks Cash Fund.

The Other Special Revenue Funds transfer out of \$40.2 comprises \$31.6 million of legislative mandated transfers to fund programs in agencies that operate primarily in the General Fund and \$8.6 million of indirect cost transfers to support overhead charged to the Other Special Revenue Funds.

The \$60.4 million transfer out of Resource Extraction and into the Public School Fund is from the Mineral Leasing Fund.

The Other Special Revenue Funds transfer out of \$230.6 million is from the Sales and Use Tax Holding Fund which transfers sales and use tax to the General Fund or the Highway Users Tax Fund depending on the adequacy of the required four percent reserve in the General Fund.

The General Fund transfer out of \$32.2 million to All Other Funds included \$11.2 million to support the Children's Basic Health Plan and \$7.5 million to the School Construction and Renovation Fund.

The Highway Users Tax Fund transfer out of \$169.5 million to All Other Funds was exclusively to the Debt Service Fund to pay debt service on Transportation Revenue Anticipation Notes issued by the Department of Transportation.

The Lottery Fund transfer out of \$59.5 million to All Other Funds included \$47.6 million to the Conservation Trust Fund and \$11.9 million to the Division of Parks and Outdoor Recreation to support management of the state's natural resources.

The Gaming Fund transfer out of \$26.7 million to All Other Funds included \$19.7 million transferred to the Travel and Tourism Trust Fund and \$7.0 million transferred to the Clean Energy Fund. Both funds are managed by the Governor's Office.

The Tobacco Impact Mitigation Fund transfer out of \$31.6 million to All Other Funds included \$19.2 million transferred from the Tobacco Settlement Fund and \$12.1 million from the Tobacco Tax Fund. Both transfers were to the Department of Health Care Policy and Financing to support purchase of medical services.

The Resource Extraction Fund transfer out of \$40.7 million to All Other Funds included \$13.7 million transferred from the Operating portion of the Severance Tax Trust and \$12.3 million from the Mineral Leasing Fund to the Water Conservation Board in the Department of Natural Resources. The \$40.7 million also included \$8.8 million transferred from the Operating portion of the Severance Tax Trust to the Species Conservation Funds.

### NOTE 32 – UNUSUAL OR INFREQUENT TRANSACTIONS

The government-wide *Statement of Activities* shows two items that were considered special or extraordinary items.

The Department of Labor and Employment recorded an asset impairment of \$16.1 million related to termination of a computer system under development. The event was an infrequent occurrence that was under the control of management. (See Note 17 for more information.)

The Department of Revenue recorded a loss of \$9.8 million related to employee fraud in its income tax collection section. The department recorded a receivable of \$11.3 million from the parties charged with the fraud, recovered \$.9 million, and expects to recover an additional \$.6 million. The loss was recorded as an allowance for uncollectible amounts related to the receivable. This event is considered both unusual and infrequent.

#### NOTE 33 – DONOR RESTRICTED ENDOWMENTS

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

The University of Colorado reported net appreciation on endowment investments of \$6.8 million that was available for spending. The university reported the related net assets in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Assets – Proprietary Funds*. The amount of earnings and net appreciation that is available for spending is based on a spending rate set annually by the Regents of the University of Colorado. In general, only realized gains can be expended; however, unrealized gains on certain endowment funds may be expended.

Colorado State University reported \$303,813 of net appreciation on its donor-restricted endowments, and the full amount was available for spending. The university reported the related net assets in Restricted for Permanent Funds and Endowments – Nonexpendable on the *Statement of Net Assets – Proprietary Funds*. The President of the university authorizes the expenditure of investment income from endowment earnings, and the university's Board of Governors is notified of those expenditures.

Colorado State University reported \$1,457,130 of net appreciation on its donor-restricted endowments held by its foundation. The full amount was available for spending. On the *Statement of Net Assets – Proprietary Funds*, the university reported a portion of the related net assets in Restricted for Permanent Funds and Endowments – Nonexpendable and a portion of the related net assets in Restricted for Permanent Funds and Endowments – Expendable. The pay out policy of the Colorado State University Foundation governs expenditure of these funds. The policy assumes a 10 percent return on investment, a 4 to 5 percent pay out, a management fee of 1 to 1.5 percent, and a return to principal sufficient to preserve the purchasing power of the endowment.

The University of Northern Colorado reported \$302,242 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 34 – SEGMENT INFORMATION**

#### **Primary Government**

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

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

#### Other Enterprise Funds' Segments:

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

Higher Education Institutions' Segments:

University Physicians Incorporated (UPI) is a not-forprofit entity that performs the billing, collection, and disbursement function for professional services provided by the University of Colorado at Denver and Health Sciences Center. UPI is also a component unit of the state that is blended into the Higher Education Institutions Enterprise Fund. UPI also provides its services under contracts with the University of Colorado Hospital Authority (UCHA), a discretely presented component unit of the state.

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

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

The following page presents condensed financial information for the state's segments that are not presented as major funds.

### CONDENSED STATEMENT OF NET ASSETS JUNE 30, 2007

		_		IIVERSITY COLORADO		COLC	OF MI			A HIGHER ON CENTER	
(DOLLARS IN THOUSANDS)	STATE FAIR AUTHORITY		UNIVERSITY PHYSICIANS INCORPORATED		AUXILIARY RESEA		ENERAL SEARCH CILITIES	CH PARKING		STUDENT FACILITIES	
ASSETS: Current Assets Other Assets Capital Assets	\$	445 25 10,877	\$	85,001 53,147 16,320	\$	788 68 0,400	\$	4,645 1,000 65,462	\$	3,082 7,805 41,889	\$ 9,556 1,833 37,861
Total Assets		11,347		154,468	1	1,256		71,107		52,776	49,250
LIABILITIES: Current Liabilities Due To Other Funds Noncurrent Liabilities		2,368 - 122		20,436 - 18,968	1	- 399 0,166		3,226 - 61,753		2,115 - 35,388	3,844 - 34,296
Total Liabilities		2,490		39,404	1	0,565		64,979		37,503	38,140
NET ASSETS: Invested in Capital Assets, Net of Related Debt Other Restricted Net Assets Unrestricted		9,713 - (856)		(3,102) 62 118,104		- - 691		3,065 - 3,063		12,313 1,721 1,239	3,844 - 7,266
Total Net Assets	\$	8,857	\$	115,064	\$	691	\$	6,128	\$	15,273	\$ 11,110

# CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2007

OPERATING REVENUES : Tuition and Fees Sales of Goods and Services Other	\$ - 6,383 519	\$ - 269,549 -	\$ - - 1,085	\$ 2,034 - 8,492	\$ - 7,462 -	\$ 4,680 21,026 56
Total Operating Revenues	6,902	269,549	1,085	10,526	7,462	25,762
OPERATING EXPENSES: Depreciation Other	 592 8,719	1,423 257,923	294 -	1,946 6,106	1,821 4,399	2,182 22,375
Total Operating Expenses	9,311	259,346	294	8,052	6,220	24,557
OPERATING INCOME (LOSS)	(2,409)	10,203	791	2,474	1,242	1,205
NONOPERATING REVENUES AND (EXPENSES): Investment Income Gifts and Donations Other Nonoperating Revenues Debt Service Other Nonoperating Expenses	3 270 - (170) 8	5,542 - - (683) (1,792)	- - - - (441)	313 573 - (2,671) (376)	434 - - (1,576) -	474 - 2 (1,522)
Total Nonoperating Revenues(Expenses)	111	3,067	(441)	(2,161)	(1,142)	(1,046)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS: Capital Contributions and Additions to Endowments Transfers-In Transfers-Out	1,055 3,265 -	- - -	- - -	- - (144)	- - (571)	168 - (1,542)
Total Contributions, Transfers, and Other	4,320	-	-	(144)	(571)	(1,374)
CHANGE IN NET ASSETS	2,022	13,270	350	169	(471)	(1,215)
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	 6,835	101,794	341	5,959	15,744	12,325
TOTAL NET ASSETS - FISCAL YEAR ENDING	\$ 8,857	\$ 115,064	\$ 691	\$ 6,128	\$ 15,273	\$ 11,110

### CONDENSED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2007

NET CASH PROVIDED (USED) BY: Operating Activities Noncapital Financing Activities Capital and Related Financing Activities Investing Activities	\$ (2,685) 3,265 (430) 3	\$ 8,813 (1,820) (1,110) (11,610)	\$ 895 (590) - -	\$ 14,847 (11,494) - (1,034)	\$ 3,322 (571) (3,807) 1,293	\$ 3,265 (1,542) (4,769) 2,866
NET INCREASE (DECR.) IN CASH AND POOLED CASH CASH AND POOLED CASH, FISCAL YEAR BEGINNING	153 -	(5,727) 37,299	305 293	2,319 2,056	237 2,617	(180) 7,452
CASH AND POOLED CASH, FISCAL YEAR ENDING	\$ 153	\$ 31,572	\$ 598	\$ 4,375	\$ 2,854	\$ 7,272

#### **NOTE 35 – COMPONENT UNITS**

The state reports nine component units under the requirements of Governmental Accounting Standards Board (GASB) Statements No. 14 – <u>The Financial Reporting Entity</u> and No. 39 – <u>Determining Whether Certain Organizations Are Component Units.</u> All of the component units are considered major. Financial statements for the component units are presented in the Basic Financial Statements.

University Hospital is a nonsectarian general acute and psychiatric care regional hospital, licensed for 537 beds with six outpatient clinics and a home therapy unit, operated by the University of Colorado Hospital Authority (UCHA). It also includes the Anschutz Centers for Advanced Medicine, and is the teaching hospital of the University of Colorado at Denver and Health Sciences Center (UCDHSC), a state institution of higher education. The hospital's mission is to provide education, research, and a full spectrum of primary, secondary, and tertiary healthcare services to the Denver metropolitan area and the Rocky Mountain Region. UCHA is exempt from federal income tax under Internal Revenue Code Section 115 (as a governmental entity) and under Section 501(a) as a not-for-profit entity. The hospital is in the process of relocating its main campus from east central Denver to the Fitzsimons Campus in the Denver suburb of Aurora.

The Colorado Water Resources and Power Development Authority's purpose is to initiate, acquire, construct, maintain, repair and operate, or cause to be operated, projects for the protection, preservation, conservation, upgrading, development, and utilization of the water resources of the state. The authority is authorized to issue bonds, notes, or other obligations which constitute its debt and not the debt of the State of Colorado. The authority's primary revenue sources are investment income on bond proceeds, interest on loans made to local governments from bond proceeds, administrative charges on the loans, and federal capitalization grants. The authority paid the state \$2.8 million during 2006 for services provided by two state departments.

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 state legislature authorized the district to levy a sales tax of one-tenth of one percent throughout the district for a period not to exceed 20 years. However, the district discontinued the sales tax levy on January 1, 2001, after it defeased all outstanding debt. In 2006, the district refunded \$625,000 of the sales tax levy to the six counties initially included in the district because the funds were deemed unnecessary for the expenses and reserves of the district.

The University of Colorado Foundation was incorporated in 1967 and is authorized by the Board of Regents of the University of Colorado to solicit, receive, hold, invest, and transfer funds for the benefit of the University of Colorado (a state institution of higher education) and through June 30, 2005, the University of Colorado Hospital Authority (a component unit of the state). During Fiscal Year 2004-05 the foundation and University of Colorado Hospital Authority mutually agreed to transfer all assets held for the benefit of the hospital to the hospital. 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 2005-06, it received \$7.5 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, 2006, the foundation distributed \$66.1 million to or for the benefit of the University of Colorado as follows: \$51.7 million of gifts and income, \$2.0 million in assets, \$9.6 million for student housing, and \$2.8 million to the Boulder Alumni Association, which is a division of the foundation.

In Fiscal Year 2005-06, the university contributed \$3.5 million to fund the operating costs of Bear Creek, a limited liability company of which the foundation is the sole member. The foundation holds \$84.0 million of endowment related earnings that the university can request at any time as long as the request is consistent with donor intent. Through an operating agreement with the University of Colorado at Boulder, Bear Creek constructed the Bear Creek Apartments and Community Center. On June 7, 2007, the foundation recorded the University's purchase of the apartments and community center for \$65.1 million.

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 2006-07, the foundation transferred \$24.1 million to the university.

The Colorado School of Mines Foundation is a not-forprofit 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 taxexempt organization incorporated in 1966 to promote the general welfare, development, growth, and well being of the University of Northern Colorado. The foundation accomplishes this mission through solicitation and acquisition of gifts, investing in and managing property, and furnishing funds, facilities, equipment, and services. The foundation owed the university \$208,168 at June 30, 2007.

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.

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 in insurance premium tax credits, which it subsequently sold to insurance companies. The VCA deferred the revenue related to sale and recognizes it as the insurance companies apply the credits over a ten year period. The related revenue is reported as Gifts and Donations on the Statement of Revenues, Expenses and Changes in Net Assets - Component Units to reflect the contribution of capital by the state.

In 2005, the authority created Colorado Fund 1 with a portion of the proceeds from the sale of premium tax credits. The authority has committed to providing up to \$21.8 million to Colorado Fund 1 for investment in businesses meeting criteria established by the authority, specifically including businesses in the life sciences, information technology, and agritechnology and medical device industries and retail. As of December 31, 2006, the authority has contributed approximately \$6.4 million or 29 percent of its total funding commitment to Colorado Fund 1.

## NOTE 36 – RELATED PARTIES AND ORGANIZATIONS

#### **Primary Government**

The Colorado State University - Pueblo Foundation was established to benefit the Colorado State University - Pueblo. The foundation transferred \$1.4 million to the university during Fiscal Year 2006-07, owed the university \$529,813, and was due \$261,821 from the university at June 30, 2007.

The Adams State College Foundation provides scholarships and work-study grants to students, as well as providing program development grants to Adams State College. The foundation provided \$1.6 million and \$1.7 million in scholarships and grants during Fiscal Year 2006-07 and 2005-06, respectively.

The Mesa State College Foundation provides financial assistance to Mesa State College students and assists the college in serving educational needs. In Fiscal Year 2006-07, the foundation awarded \$492,820 of scholarships directly to Mesa State College students. The foundation transferred real property to the college valued at \$585,000 for a note payable due November 11, 2011.

The Mesa State College Real Estate Foundation was formed to acquire, manage, and dispose of properties to help meet the financial needs of Mesa State College. In Fiscal Year 2006-07, Mesa State College transferred land totaling \$433,637 and an additional \$100,000 to the foundation for start-up assistance, as authorized by the College Board of Trustees.

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 \$2.2 million and \$2.4 million of funding to the college in Fiscal Years 2006-07 and 2005-06, respectively. The foundation also reimbursed the college \$174,626 for services provided by college employees in Fiscal Year 2006-07. At June 30, 2007, the foundation owed the college \$385,348.

Western State College Foundation was established to aid Western State College in fulfilling its educational mission. The foundation transferred \$1.1 million and \$1.9 million to the college in Fiscal Years 2006-07 and 2005-06, respectively.

Auraria Foundation was established to provide gifts and grants for the educational mission of the Auraria Higher Education Center (AHEC). The foundation provided \$270,458 in support to AHEC during Fiscal Year 2006-07 primarily for campus safety upgrades.

Most of the state's community colleges have established foundations to assist in their educational missions. With the exception of the Front Range and Pueblo Community Colleges, no foundations made annual transfers to their related colleges in excess of \$500,000. The Front Range Community College Foundation transferred \$628,873 to Front Range Community College during Fiscal Year 2006-07 for student scholarships and instructional support. The Pueblo Community College Foundation provided support to Pueblo Community College in the amount of \$900,863 for scholarships, rental properties, construction, and discretionary funds.

The University of Northern Colorado Foundation, a component unit of the state, is the sole member of the University of Northern Colorado Foundation Student Housing LLC. The LLC owed the University of Northern Colorado \$416,890 for a working capital loan at June 30, 2007.

The Colorado School of Mines Building Corporation was established in 1976 to build a facility to house the United States Geological Survey. The Geological Survey leases the facility from the corporation. The net assets of the corporation were \$2.4 million at June 30, 2007 and 2006. At June 30, 2007, the Building Corporation had a receivable of \$399,481 that was due from the Colorado School of Mines Development Corporation discussed below.

The Colorado School of Mines Development Corporation was established in September 2001 as a separate corporation for the purpose of financing and building a general research building on the School of Mines campus. The Development Corporation issued \$10.9 million of bonds in October 2002 and the construction funded by the bonds was completed in Fiscal Year 2002-03. The 2002 bonds were fully refunded and replaced by \$10.6 million of bonds issued January 2005. The net assets of the Development Corporation were \$691,476 and \$340,523 at June 30, 2007 and 2006, respectively.

The Great Outdoors Colorado Board (GOCO) is a constitutionally created entity whose purpose is to administer the Great Outdoors Colorado Program and Trust Fund. The purpose of the program is to promote the wildlife and outdoor recreation resources of the state using funds it receives from the Colorado Lottery. During Fiscal Years 2006-07 and 2005-06, the board funded \$24.2 million and \$25.8 million, respectively, of wildlife and parks programs at the Department of Natural Resources. At June 30, 2007, GOCO owed the Department of Natural Resources \$9.1 million.

#### **Component Units**

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

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

During 2006, the authority began the design and development of an office building and parking structure on 4.2 acres of land adjacent to the Anschutz Inpatient Pavilion. In May 2006, the lease was again amended to add the additional 4.2 acres to the land currently leased to the authority.

Under an Operating Agreement between the University of Colorado Regents and the University of Colorado Hospital Authority dated July 1, 1991, the Regents have entered into contracts with the hospital for the provision of services in support of programs and operations of the hospital. The hospital paid approximately \$30.5 million for these services in Fiscal Year 2006-07. The University of Colorado at Denver and Health Sciences Center paid the hospital \$10.4 million in Fiscal Year 2006-07 and recorded on-behalf payments of \$1.7 million for salaries and benefits.

The hospital leases certain employees to the Adult Clinical Research Center (CRC), a related party, at full cost and provides overhead and ancillary services for CRC patients. Charges of approximately \$1.7 million were billed to CRC for the cost of these services during Fiscal Year 2005-06. The amount due from the UCDHSC, including CRC, amounted to \$0.5 million at June 30, 2006.

The hospital entered certain provider and network management agreements with TriWest. TriWest was formed to deliver health care services to eligible beneficiaries of TriCare, formerly known as CHAMPUS – the Civilian Health and Medical Program of the Uniformed Services. On June 27, 1996, the U.S. Department of Defense awarded TriWest the TriCare contract for a five-year period that began April 1997. The contract was renewed for 2005 and 2006. As part of the agreements, the hospital purchased a minority interest in TriWest for approximately \$3.3 million. This investment is accounted for under the cost method, and the hospital received dividends of approximately \$897,000 in Fiscal Year 2005-06.

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

The hospital and two other entities participate in Colorado Access, a Colorado nonprofit corporation that owns and operates a statewide HMO that served Medicaid patients during Fiscal Year 2005-06. 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, which was 4.5 percent at June 30, was originally due on or before August 24 of each year. Currently, Colorado Access is unable to specify a repayment timeline due to negotiations with the Colorado Division of Insurance regarding required levels of risk-During 2006 the hospital reserved based capital. approximately \$762,000 due to the uncertainty of Colorado Access' ability to make payments under this agreement.

The Venture Capital Authority has a Limited Partnership Agreement with Colorado Fund 1 and has selected High Country Venture, LLC to serve as manager and general partner of the Fund. As of December 31, 2006, VCA's investment in the fund totaled \$5.3 million.

The partnership agreement allocates income or loss 20 percent to the general partner and 80 percent to the limited partners in accordance with their respective partnership percentages. In addition, the agreement requires that the authority pay an annual management fee as well as reimburse certain expenses to the fund manager. Effective January 3, 2006, the management fee will be paid in advance, on a quarterly basis, as a percentage of total capital commitments ranging from .5 percent to 2 percent through 2013. In 2006, the VCA made capital contributions to the fund of \$326,496 for management fees and \$83,732 for operating expenses.

#### **NOTE 37 – CONTINGENCIES**

#### **Primary Government**

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

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

The state is the defendant in numerous lawsuits involving claims of inadequate, negligent, or unconstitutional treatment of prisoners, mental patients, or the developmentally disabled. In some of these suits, plaintiffs are seeking or have obtained certification as a class for a class action suit. Most of these cases seek actual damages that are not material but include requests for punitive damages that may be material. There is also the potential that the courts may rule that the current conditions of confinement, Medicaid coverage, or residential services are unconstitutional, which could result in significant future construction, medical, or residential services costs that are not subject to reasonable estimation.

The state is the defendant in lawsuits by employees accusing the state of various infractions of law or contract. These may include claims related to age and sex discrimination, sexual harassment, wrongful termination, contractual agreements for paying of salaries based on parity and equity, and overtime compensation under the Federal Fair Labor Standards Act. The state does not believe that any of these cases are material to its financial operations.

Many state agencies have grant and contract agreements with the federal government and other parties. These agreements generally provide for audits of the transactions pertaining to the agreements, with the state being liable to those parties for any disallowed expenditure. The Department of Agriculture has informed the state that it will disallow approximately \$10.9 million of Food Stamps payments issued improperly due to problems incurred with the state's implementation of the Colorado Benefits Management System. The state estimates the actual range of loss from \$4.0 to \$6.0 million. The state normally contests such disallowances, and the outcome is uncertain at this time.

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 approximately 25 percent, or \$2.75 billion, of the \$11.02 billion outstanding balance of loans in repayment status. However, the probability of a material loss is remote.

At June 30, 2007, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately \$526.3 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 \$13.0 million individually.

Various notes and bonds have been issued by state school districts that may impact the state. Colorado statutes provide that if a district indicates that it will not make the payment to bondholders by the date on which it is due, the State Treasurer shall forward the amount necessary to make the payment to the paying agent. The state shall then withhold state equalization payments to the defaulting school district for a period up to 12 months to cover the state's loss. Currently, notes or bonds valued at over \$7.64 billion are outstanding. Of this amount, \$6.70 billion is covered by private insurance.

The State of Kansas asserts claims against the State of Colorado related to litigation costs associated with settlement of a suit claiming violations of the Arkansas River Compact. In prior fiscal years the State of Colorado paid the State of Kansas a cumulative amount of \$35.7 million for settlement of the original lawsuit and related litigation costs. The State of Kansas continues to seek to recover up to \$9.0 million in additional litigation costs.

Plaintiffs filed suit in state court challenging the constitutionality of \$442.7 million of transfers from cash funds to the General Fund made in Fiscal Years 2001-02, 2002-03, 2003-04 to mitigate general-purpose revenue shortfalls. The suit seeks class action status and alleges that the transfers caused the increase or continuation of cash fund fees that it contends are tax increases not approved by voters. Plaintiffs seek to prevent similar future transfers, to terminate existing fees replenishing the cash funds, to prevent fee increases intended to replenish the cash funds, and to require the General Fund to replenish the cash funds. After Colorado Court of Appeals decisions, both the plaintiffs and the state have petitioned the Colorado Supreme Court to review the case.

The Department of Health Care Policy and Financing may be responsible for between \$6.0 million and \$12.0 million of attorney's fees incurred by a class of Aid to Needy Disabled (AND) program clients. The state advanced the AND benefits to clients expected to win appeals to the federal government for Social Security benefits. The state was reimbursed for the AND benefits from the Social Security benefits awarded; however, the state did not reimburse the AND clients for the attorney's fees the clients incurred in pursuing the Social Security benefits. State statutes were subsequently changed to clarify that the state will not reimburse such attorney's fees.

School districts, students, and parents in the state's San Luis Valley have filed suit against the state asserting that the current school funding system fails to provide a thorough and uniform system of free public education as required by the Colorado Constitution. The plaintiffs seek to overturn the current funding system and ensure that additional capital facilities funding of \$5.0 billion to \$10.0 billion is provided. All claims were dismissed by the district court, and the case is currently under appeal with the Colorado Court of Appeals. Estimates of plaintiff attorney fees and cost currently exceed \$1.0 million

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

#### **Component Units**

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

#### **NOTE 38 – SUBSEQUENT EVENTS**

#### **DEBT ISSUANCE**

On July 5, 2007, the State Treasurer issued \$500.0 million of General Fund Tax Revenue Anticipation Notes, Series 2007A. The notes are due and payable on June 27, 2008, at a coupon rate of 4.25 percent. The total interest related to this issuance will be \$20.8 million. The notes are issued for cash management purposes.

On July 16, 2007, the State Treasurer issued \$150.0 million of Education Loan Program Tax and Revenue Anticipation Notes Series 2007A. The notes have coupon rates ranging from 4.0 to 4.5 percent, which will result in approximately \$6.2 million of interest due at maturity. The notes mature on August 5, 2008, but the State Treasurer has established a Series 2007A Note Repayment Account that it will be funded by June 26, 2008, in an amount adequate to fully defease the outstanding notes.

On September 6, 2007, Colorado State University issued \$210,045,000 of System Enterprise Revenue Bonds Series 2007A-C. The proceeds will be used to fund various types of facilities at the Fort Collins and Pueblo campuses, to refund certain outstanding obligations (\$19.3 million of current refunding and \$14.9 million of advance refunding), to pay capitalized interest, and to pay issuance costs. The revenue bonds bear interest rates ranging from 4.0 to 5.883 percent with final maturity in 2037. The revenue bonds have optional redemption provisions at various dates.

### REQUIRED SUPPLEMENTARY INFORMATION

#### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS BUDGET AND ACTUAL - GENERAL FUNDED FOR THE YEAR ENDED JUNE 30, 2007

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY	
	APPROPRIATION	AUTHORITY	ACTUAL	AUTHORITY	
REVENUES AND TRANSFERS-IN:					
Sales and Other Excise Taxes			\$ 2,097,092		
Income Taxes			4,973,681		
Other Taxes			184,323		
Federal Grants and Contracts			90		
Sales and Services			304		
Interest Earnings			43,084		
Other Revenues			42,820		
Transfers-In			304,688		
OTAL REVENUES AND TRANSFERS-IN			7,646,082		
EXPENDITURES AND TRANSFERS-OUT:					
Operating Budgets:					
Departmental:					
Agriculture	\$ 5,205	\$ 5,222	5,159	\$ 63	
Corrections	585,350	581,647	575,630	6,017	
Education	2,874,603	2,883,127	2,882,795	332	
Governor	11,230	16,050	11,356	4,694	
Health Care Policy and Financing	1,396,827	1,369,918	1,363,696	6,222	
Higher Education	689,674	694,210	693,814	396	
Human Services	604,056	626,731	620,797	5,934	
Judicial Branch	262,618	264,846	·	690	
	140	264,646 141	264,156 108	33	
Labor and Employment					
Law	9,306	9,956	8,864	1,092	
Legislative Branch	30,887	31,176	29,647	1,529	
Local Affairs	10,304	10,303	9,973	330	
Military and Veterans Affairs	5,275	5,216	5,039	177	
Natural Resources	28,534	28,443	28,122	321	
Personnel & Administration	7,368	9,549	9,445	104	
Public Health and Environment	22,817	26,820	26,786	34	
Public Safety	66,899	68,200	66,997	1,203	
Regulatory Agencies	1,302	1,297	1,267	30	
Revenue	180,011	178,310	180,057	(1,747)	
Treasury	121,402	121,458	121,407	51	
SUB-TOTAL OPERATING BUDGETS	6,913,808	6,932,620	6,905,115	27,505	
Capital and Multi-Year Budgets:					
Departmental:					
Agriculture	1,513	750	-	750	
Corrections	52,357	17,698	1,862	15,836	
Education	1,097	1,418	411	1,007	
Governor	-	245	-	245	
Health Care Policy and Financing	-	112	2	110	
Higher Education	114,063	128,424	35,202	93,222	
Human Services	49,562	45,474	11,402	34,072	
Judicial Branch	-	862	28	834	
Military and Veterans Affairs	1,630	3,182	490	2,692	
Personnel & Administration	4,604	11,124	3,223	7,901	
Public Health and Environment	-	3,377	418	2,959	
Public Safety	8,030	2,339	175	2,164	
Revenue	645	8,651	180	8,471	
Transportation	20,000	25,000	_	25,000	
Budgets/Transfers Not Booked by Department	585,826	585,826	585,826	-,	
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	839,327	834,482	639,219	195,263	
TOTAL EXPENDITURES AND TRANSFERS OUT	d 7.750.405	¢ 77/7400	7.544.004		
OTAL EXPENDITURES AND TRANSFERS-OUT	\$ 7,753,135	\$ 7,767,102	7,544,334	\$ 222,768	

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

EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT

101,748

\$ 1,328,059

#### 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, 2007

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
DEVENUES AND TRANSFERS IN.	ATTROTRIATION	AOTHORITI	ACTUAL	AOTHORITI
REVENUES AND TRANSFERS-IN: Sales and Other Excise Taxes			\$ 961,043	
Income Taxes			395,108	
Other Taxes			811,212	
Tuition and Fees				
Sales and Services			1,466,929 982,989	
			576,224	
Interest Earnings				
Other Revenues			2,437,511	
Transfers-In			5,556,237	
TOTAL REVENUES AND TRANSFERS-IN			13,187,253	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	\$ 28,858	\$ 29,000	23,174	\$ 5,826
Corrections	65,489	67,365	61,763	5,602
Education	3,183,520	3,194,464	3,143,307	51,157
Governor	62,747	73,079	53,365	19,714
Health Care Policy and Financing	420,946	387,881	349,640	38,241
Higher Education	2,606,615	2,604,170	2,357,910	246,260
Human Services	660,576	293,994	270,523	23,471
Judicial Branch	99,714	97,218	92,940	4,278
Labor and Employment	429,636	431,279	419,417	11,862
Law	30,153	31,566	29,592	1,974
Legislative Branch	2,884	2,764	2,255	509
Local Affairs	382,548	385,573	195,167	190,406
Military and Veterans Affairs	3,539	3,585	2,664	921
Natural Resources	464,580	440,143	284,857	155,286
Personnel & Administration	457,855	463,989	408,162	55,827
Public Health and Environment	221,024	232,106	140,088	92,018
Public Safety	121,199	118,698	111,093	7,605
	66,384	67,073	63,975	3,098
Regulatory Agencies				
Revenue	704,239	734,316	633,923	100,393
State	26,669	56,755	34,331	22,424
Transportation	231,729	234,605	211,487	23,118
Treasury	1,918,265	1,919,015	1,908,614	10,401
SUB-TOTAL OPERATING BUDGETS	12,189,169	11,868,638	10,798,247	1,070,391
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	340	2,109	968	1,141
Corrections	141,418	134,939	15,780	119,159
Governor	1,805	1,805	92	1,713
Higher Education	210,949	544,321	203,712	340,609
Human Services	825	866	461	405
Labor and Employment	46,000	44,996	40,259	4,737
Military and Veterans Affairs	191	1,118	470	648
Natural Resources	50,183	53,452	15,211	38,241
Personnel & Administration	10,957	25,635	8,088	17,547
Public Health and Environment	2,950	11,457	1,409	10,048
Public Safety	-	209	197	12
Revenue	-	4,672	1,963	2,709
Transportation	1,651,296	1,649,471	765,194	884,277
Budgets/Transfers Not Booked by Department	7,143	7,143	7,143	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	2,124,057	2,482,193	1,060,947	1,421,246
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	\$ 14,313,226	\$ 14,350,831	11,859,194	\$ 2,491,637

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

EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT

#### 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, 2007

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Federal Grants and Contracts			\$ 4,411,095	
TOTAL REVENUES AND TRANSFERS-IN			4,411,095	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	\$ 1,775	\$ 17,612	7,692	\$ 9,920
Corrections	3,435	7,739	4,908	2,831
Education	488,040	713,509	529,143	184,366
Governor	12,316	65,416	32,357	33,059
Health Care Policy and Financing	1,622,470	1,613,569	1,586,348	27,221
Higher Education	20,133	369,363	236,846	132,517
Human Services	595,160	1,121,560	926,802	194,758
Judicial Branch	1,166	5,733	3,515	2,218
Labor and Employment	104,759	177,826	111,887	65,939
Law	882	964	920	44
Local Affairs	97,749	202,676	90,190	112,486
Military and Veterans Affairs	145,806	20,967	11,886	9,081
Natural Resources	21,311	53,259	28,795	24,464
Personnel & Administration	121	852	732	120
Public Health and Environment	234,457	325,866	211,719	114,147
Public Safety	35,285	56,571	28,627	27,944
Regulatory Agencies	1,152	2,285	1,164	1,121
Revenue	1,562	3,870	1,818	2,052
State	-	276	132	144
Transportation	415,272	456,834	429,888	26,946
Treasury	-	128,701	128,615	86
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	3,802,851	5,345,448	4,373,984	971,464
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	\$ 3,802,851	\$ 5,345,448	4,373,984	\$ 971,464

EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT

\$ 37,111

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, 2007

(DOLLARS IN THOUSANDS)			GOVERNMENTA	AL FUND TYPES		
	GENERAL	PUBLIC SCHOOL	HIGHWAY USERS TAX	CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS
BUDGETARY BASIS:						
Revenues and Transfers-In:						
General	\$ 7,333,299	\$ -	\$ -	\$ 312,783	\$ -	\$ -
Cash	740,230	2,772,500	2,468,330	216,297	408,813	2,043,094
Federal	3,401,037	-	429,698	31,541	=	253,066
Sub-Total Revenues and Transfers-In	11,474,566	2,772,500	2,898,028	560,621	408,813	2,296,160
Expenditures/Expenses and Transfers-Out						
General Funded	7,487,762	=	-	56,572	-	-
Cash Funded	732,156	2,773,049	2,204,755	229,729	336,723	1,844,194
Federally Funded	3,400,931	-	429,698	31,542	=	253,489
Expenditures/Expenses and Transfers-Out	11,620,849	2,773,049	2,634,453	317,843	336,723	2,097,683
xcess of Revenues and Transfers-In Over						
(Under) Expenditures and Transfers-Out - Budget Basis	(146,283)	(549)	263,575	242,778	72,090	198,477
JDGETARY BASIS ADJUSTMENTS:						
Increase/(Decrease) for Unrealized Gains/Losses	9,920	-	3,349	57	685	13,340
Increase for Budgeted Non-GAAP Expenditures	-	=	-	· <u>-</u>	-	27,057
Increase/(Decrease) for GAAP Expenditures Not Budgeted	76,433	-	37,208	207,671	-	(69)
Increase/(Decrease) for GAAP Revenue Adjustments	(99,121)	=	5,205	(207,671)	=	(2,373)
Increase/(Decrease) for Non-Budgeted Funds		-	-		-	-
ccess of Revenues and Transfers-In Over						
(Under) Expenditures and Transfers-Out - GAAP Basis	(159,051)	(549)	309,337	242,835	72,775	236,432
AP BASIS FUND BALANCES/NET ASSETS:						
IND BALANCE/NET ASSETS, JULY 1	592,761	48,568	1,078,442	279,065	153,043	2,166,818
Prior Period Adjustments (See Note 28)	-	-	(1,907)	-	-	1,907
JND BALANCE/NET ASSETS, JUNE 30	\$ 433,710	\$ 48,019	\$ 1,385,872	\$ 521,900	\$ 225,818	\$ 2,405,157

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

		ı	PROPRIETAR	/ FUND	TYPES						
HIGHER EDUCATION INSTITUTIONS	PLOYMENT URANCE	COLL	EGEINVEST			STATE ENTERPRISE INTERNA			FI	DUCIARY FUND TYPES	TOTAL PRIMARY GOVERNMENT
\$ - 1,522,333 17,538	\$ - 427,832 15,699	\$	82,213 35,362	\$	- 469,588 -	\$ - 268,962 226,980	\$	- 101,852 174	\$	- 1,665,208 -	\$ 7,646,082 13,187,252 4,411,095
1,539,871	443,531		117,575		469,588	495,942		102,026		1,665,208	25,244,429
- 1,620,502 17,538	- 295,860 15,587		- 100,747 -		- 469,689 -	- 241,293 225,025		- 102,173 174		- 908,323 -	7,544,334 11,859,193 4,373,984
1,638,040	311,447		100,747		469,689	466,318		102,347		908,323	23,777,511
(98,169)	132,084		16,828		(101)	29,624		(321)		756,885	1,466,918
(43,680)	<u>-</u>		1,003		197 125	1,243 10,013		22 1,380		125,744	111,880 38,575
3,921 - 313,935	(5,290) - -		- - -		(134) - -	(12,213) 1,614 -		(5,322) - -		(9) - -	302,196 (302,346) 313,935
176,007	126,794		17,831		87	30,281		(4,241)		882,620	1,931,158
3,365,581 -	548,780 -		182,020 -		2,584 -	357,835 -		25,982		2,931,722	11,733,201
\$ 3,541,588	\$ 675,574	\$	199,851	\$	2,671	\$ 388,116	\$	21,741	\$	3,814,342	\$ 13,664,359

#### **GENERAL FUND**

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

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

After all legal and GAAP reserves are taken into consideration, the balance of net assets in the General Fund is represented on the *Balance Sheet – Governmental Funds* as "Fund Balances: Unreserved, Reported in: General Fund". When it is positive, the unreserved undesignated fund balance represents cumulative general-purpose and augmenting revenues in excess of expenditures. General-purpose revenues are revenues that are not designated for specific purposes. The following schedule shows the current fiscal year general-purpose revenues and the expenditures, by department, funded from those general-purpose revenues. The excess augmenting revenues shown represent earned revenues that were greater than the related appropriation for specific expenditures. These revenues in excess of the related expenditures become part of unreserved undesignated fund balance. (See Note 8A beginning on page 42 for information regarding the \$1.2 million negative reversion at the Department of Revenue.)

Another purpose of this schedule is to establish the amount of General Fund Surplus that is available for subsequent transfer to the Highway Fund and the Capital Construction Fund. In order to identify that amount, encumbrances of the prior year are subtracted from the revised budget and the actual expenditure columns because they were considered expended in the prior year. In addition, encumbrances at the end of the current year are considered expenditures and are added to the actual column.

In order to properly state the amounts reverted, restrictions on the revised budget are not reflected in the amounts shown. Unspent restricted appropriations are reported as reversions on the schedule.

# SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN GENERAL FUND SURPLUS BUDGET AND ACTUAL - BUDGETARY BASIS FOR THE YEAR ENDED JUNE 30, 2007

(DOLLARS IN THOUSANDS)	ORIGINAL ESTIMATE/ BUDGET	REVISED ESTIMATE/ BUDGET	ACTUAL	REVERSIONS OF GENERAL FUND APPROPRIATION	EXCESS AUGMENTING REVENUE EARNED
REVENUES:			,,,,,,,,,,		
Sales and Use Tax	\$ 2,102,400	\$ 2,002,300	\$ 2,003,062		
Other Excise Taxes	91,200	92,000	94,030		
Individual Income Tax, net	4,116,500	4,403,900	4,509,869		
Corporate Income Tax, net	389,700	431,800	463,812		
Estate Tax	2,000	700	783		
Insurance Tax	170,600	188,700	179,423		
Parimutuel, Courts, and Other	57,100	52,700	47,600		
Investment Income	45,400	36,500	28,173		
Gaming	15,100	10,000	6,547		
TOTAL GENERAL PURPOSE REVENUES	6,990,000	7,218,600	7,333,299		
ACTUAL BUDGET RECORDED AND EXPENDITURES:					
Agriculture	5,205	5,222	5,159	\$ 63	\$ 82
Corrections	584,921	581,296	575,631	5,665	46
Education	2,874,603	2,883,126	2,882,797	329	371
Governor	10,981	12,116	11,940	176	200
Health Care Policy and Financing	1,400,632	1,369,707	1,367,073	2,634	1,086
Higher Education	689,512	694,143	693,999	144	273
Human Services	593,457	624,958	623,283	1,675	983
Judicial Branch	259,513	264,610	263,720	890	677
Labor and Employment	-	141	108	33	-
Law	8,860	9,080	8,890	190	202
Legislative Branch	30,887	30,932	29,738	1,194	-
Local Affairs	10,300	10,303	9,973	330	466
Military and Veterans Affairs	5,274	5,216	5,039	177	2
Natural Resources Personnel & Administration	28,534	28,428	28,107	321 27	2 254
Public Health and Environment	7,274 22,817	9,466	9,439	34	245
Public Safety	66,811	22,819 68,159	66,954	1,205	280
Regulatory Agencies	1,302	1,297	1,266	31	70
Revenue	178,486	175,140	176,311	(1,171)	3
State	170,400	173,140	170,511	(1,171)	37
Treasury	100,131	121,459	121,407	52	-
TOTAL ACTUAL BUDGET AND EXPENDITURES	6,879,500	6,917,618	6,903,619	\$ 13,999	\$ 5,279
Variance Between Actual and Estimated Budgets	37,700	5,632	-		
TOTAL ESTIMATED BUDGET	6,917,200	6,923,250	6,903,619		
EXCESS GENERAL REVENUES OVER (UNDER)	0,,,,,200	0/720/200	017001017		
GENERAL FUNDED EXPENDITURES	72,800	295,350	429,680		
EXCESS AUGMENTING REVENUES			5,279		
TRANSFERS:	00.400				
Transfers-In From Various Cash Funds	32,600				
Transfers-Out to Various Cash Funds Net Transfers To/(From) the General Fund	(3,000)	(3,750)	(2.740)		
Transfers 10/(From) the General Fund Transfer-Out to Capital Projects - General Fund	(86,800)	(3,750)	(3,748) (130,878)		
Transfer-Out to Capital Projects - General Fund-Exempt Account	(66,600)	(15,000)	(15,000)		
Excess Beginning Reserve Transferred	-	(13,000)	(13,000)		
to the Highway and Capital Projects Funds	(340,200)	(436,700)	(436,768)		
TOTAL TRANSFERS	(397,400)	(586,350)	(586,394)		
•		,			
EXCESS REVENUES AND TRANSFERS OVER(UNDER) BUDGET BASIS EXPENDITURES			(151,435)		
BEGINNING GENERAL FUND SURPLUS	340,200	436,700	436,768		
GAAP Revenues/(Expenditures) Not Budgeted	5-10,200	430,700	(426)		
(Increase)/Decrease in Long-Term Asset Reserve			78		
Budgeted Decrease (Increase) in Statutory 4 Percent					
Reserve Requirement	(15,600)	(15,300)	(15,316)		
ENDING GENERAL FUND SURPLUS	-	130,400	269,669		
	·				
-					
ERECONCILIATION TO GAAP UNRESERVED FUND BALANCE:					
GAAP Medicaid Expenditures Deferred to Fiscal Year 2007-08 for Budget			(166,499)		
GAAP Medicaid Expenditures Deferred to Fiscal Year 2007-08 for Budget GAAP Payroll Expenditures Deferred to Fiscal Year 2007-08 for Budget			(166,499) (78,650)		
GAAP Medicaid Expenditures Deferred to Fiscal Year 2007-08 for Budget					

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 94 to 96). These schedules are presented in the budgetary fund structure discussed below. Higher Education Institution Funds, with the exception of the amounts included in the Long Appropriations Act as limitations on the earning of certain cash revenues, are excluded from these schedules.

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

Eliminations of transfers and intrafund transactions are not made in the budgetary funds if those transactions are under budgetary control. Thus, revenues and expenditures in these funds are shown at their gross amounts. This results in significant duplicate recording of revenues and expenditures. An expenditure of one budgetary fund may be shown as a transfer-in or revenue in another budgetary fund and then be shown again as an expenditure in the second fund.

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

- Payments to employees for time worked in June of each fiscal year are made on the first working day of the following month; for general funded appropriations those payments are reported as expenditures in the following fiscal year.
- Medicaid services claims are reported as expenditures only when the Department of Health Care Policy and Financing requests payment by the State Controller for medical services premiums under the Colorado Medical Services Act or for medical service provided by the Department of Human Services under the Colorado Medical Services Act. Similar treatment is afforded to nonadministrative expenditures that qualify for federal participation under Title XIX of the federal Social Security Act except for medically indigent program expenditures.
- 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 Bill, but the General Assembly may override each individual line item veto by a two-thirds majority vote in each house.

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

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

On the three budget-to-actual schedules, the column titled Original Appropriation consists of the Long Appropriations

Act including anticipated federal funds, special bills, and estimates of statutorily authorized appropriations. The column titled Final Spending Authority includes the original appropriation, federal funds actually awarded if no general fund matching funds are required, supplemental appropriations of the Legislature, statutorily authorized appropriations, and other miscellaneous budgetary items.

#### C. OVEREXPENDITURES

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

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

#### D. BUDGET TO GAAP RECONCILIATION

The Reconciling Schedule - All Budget Fund Types to All GAAP Fund Types (see page 98) shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (see pages 94 to 96) related to the change in fund balances/net assets for the funds presented in the fund level statements (see pages 8 to 25).

Certain expenditures on a generally accepted accounting principle (GAAP) basis, such as bad debt expense and

depreciation, are not budgeted by the General Assembly. In addition, General Fund payroll disbursements for employee time worked in June and Medicaid payments accrued but not paid by June 30 are excluded from the budget and from budget basis expenditures. These expenditures are not shown on the budget-to-actual schedules but are included in the budget-to-actual reconciliation schedule as "GAAP Expenditures Not Budgeted". Some transactions considered expenditures for budgetary purposes, such as capital purchases in proprietary fund types, are not expenditures on a GAAP basis. These expenditures are shown as "Budgeted Non-GAAP Expenditures."

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

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

#### E. OUTSTANDING ENCUMBRANCES

The state uses encumbrance accounting as an extension of formal 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. INFRASTRUCTURE ASSETS REPORTED UNDER THE MODIFIED APPROACH

As allowed by GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, the state has adopted an alternative method for reporting costs associated with certain infrastructure assets. Under this alternative method, referred to as the modified approach, the state expenses most maintenance and preservation costs and does not report depreciation expense for infrastructure. The state capitalizes costs related to new construction and major replacements or improvements that increase the capacity and/or efficiency of infrastructure assets reported under the modified approach. Colorado applies the modified approach only to infrastructure owned and/or maintained by the Colorado Department of Transportation, including infrastructure acquired prior to Fiscal Year 1980-81. Assets accounted for under the modified approach include approximately 23,080 lane miles of roads and 3,800 bridges for which the state has maintenance responsibilities. Lane mile statistics are developed and reported annually in June for the previous calendar year.

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

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

#### **ROADWAY**

#### **Measurement Scale**

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

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

#### **Established Condition Level**

The expected condition level for roadway is that 60 percent of roadways will be in the good and fair categories.

#### **Assessed Conditions**

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

Rating	2006	2005	2004	2003	2002	2001
Good/Fair	63%	65%	61%	58%	58%	54%
Poor	37%	35%	39%	42%	42%	46%

#### **BRIDGES**

#### **Measurement Scale**

CDOT utilizes PONTIS and the National Bridge Inventory to monitor the condition of approximately 3,800 bridges under its jurisdiction.

The National Bridge Inventory is used to determine a condition rating for the bridge elements including the deck, superstructure, and substructure, using a 10-point scale as follows:

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

The bridge element conditions ratings are combined with other factors such as, average daily traffic, load carrying capacity, and geometric adequacy to determine a sufficiency rating and a status for each major bridge. Status ratings include structurally deficient, functionally obsolete, not deficient, or not applicable. The major bridges are then grouped into three categories using the sufficiency rating and the status based on the following classification system.

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

#### **Established Condition Level**

The Commission's objective is to maintain or improve the current percentage of bridges in Good or Fair condition. Each year the Commission is provided with the estimates of the funding needed to alternatively maintain or improve existing conditions over the next 20 years.

#### **Assessed Conditions**

The following table reports the percentage of major bridge deck area where the condition was assessed as Poor.

Fiscal Year	Percent Poor
2007	5.25%
2006	5.19%
2005	3.20%
2004	3.25%
2003	3.36%
2002	3.61%
2001	3.39%
2000	2.80%

#### **Budgeted and Estimated Costs to Maintain**

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

	(Amounts in Millions)			
Fiscal	Projected Budgeted		Actual	
Year	Cost Cost		Spending	
2006-07	\$734.2	N/A	\$380.4	
2005-06	Not Available	\$210.9	\$460.6	
2004-05	Not Available	\$138.0	\$274.6	
2003-04	Not Available	\$554.1	\$529.9	
2002-03	Not Available	\$631.0	\$1,457.1	

The Department reported \$129.5 million of construction in progress additions in Fiscal Year 2006-07 that will be capitalized as infrastructure in future years.



Department of Personnel & Administration

**Good Government Starts Here**