

State of Colorado



John W. Hickenlooper

Governor

Kathy Nesbitt

Executive Director

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Deputy Executive Director

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DPA

Department of Personnel & Administration

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September 20, 2012

The Honorable John W. Hickenlooper Governor State of Colorado

The Honorable Brandon C. Shaffer President of the Senate Colorado General Assembly The Honorable Frank McNulty Speaker of the House Colorado General Assembly

Dear Sirs:

The attached Basic Financial Statements for the State of Colorado are submitted to you to comply with CRS 24-30-204. The financial statements are prepared in accordance with generally accepted accounting principles except for the budgetary statements, which report certain payroll, purchased service from the Governor's Office of Information Technology, Medicaid, and other legislatively specified expenditures on a cash basis. The financial statements are unaudited. The State Auditor's opinion is anticipated by mid-December 2012 and will be included in the Comprehensive Annual Financial Report that I expect to issue in late December 2012.

In accordance with the filing requirements contained in the Information Coordination Act enacted in Senate Bill 12-152, we will also distribute the report to the State and Legislative Libraries.

If you have questions please contact me.

Sincerely,

David J. McDermott, CPA Colorado State Controller

David J. Mc Dermott

Attachment

cc: Kathy Nesbitt, Department of Personnel & Administration Henry Sobanet, Office of State Planning & Budgeting

STATE OF COLORADO

BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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STATEMENT OF NET POSITION JUNE 30, 2012

PRIMARY GOVERNMENT

| (DOLLARS IN THOUSANDS) | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL | COMPONENT UNITS |
|--|----------------------------|-----------------------------|---------------------|--------------------|
| ASSETS: | | | | |
| Current Assets: | | | | |
| Cash and Pooled Cash | \$ 1,969,331 | \$ 2,011,437 | \$ 3,980,768 | \$ 236,458 |
| Investments Restricted Securities Not Held for Investment | 1,726 | 160,099 | 161,825 | 81,495 27,492 |
| Taxes Receivable, net | 1,012,147 | 159,303 | 1,171,450 | 27,472 |
| Contributions Receivable, net | - | - | - | 41,656 |
| Other Receivables, net | 155,599 | 333,928 | 489,527 | 194,991 |
| Due From Other Governments | 318,185 | 218,667 | 536,852 | 2,070 |
| Internal Balances | 20,031 | (20,031) | - | - |
| Due From Component Units Inventories | 137 17,057 | 18,715 53,318 | 18,852 70,375 | 17,069 |
| Prepaids, Advances, and Deferred Charges | 53,961 | 24,160 | 78,121 | 10,332 |
| Total Current Assets | 3,548,174 | 2,959,596 | 6,507,770 | 611,563 |
| Noncurrent Assets: | | | | |
| Restricted Cash and Pooled Cash | 1,779,414 | 370,939 | 2,150,353 | 131,491 |
| Restricted Investments | 591,083 | 295,228 | 886,311 | 496,726 |
| Restricted Receivables | 181,932 | 80,975 | 262,907 | 22,337 |
| Restricted Securities Not Held for Investment | - | - | - | 18,996 |
| Investments | 416,674 | 1,768,347 | 2,185,021 | 2,383,064 |
| Contributions Receivable, net Net Pension Asset | - | - | - | 55,424 |
| Other Long-Term Assets | 712,736 | 122,338 | 835,074 | 6,800 1,255,574 |
| Depreciable Capital Assets and Infrastructure, net | 9,589,172 | 5,251,191 | 14,840,363 | 678,575 |
| Land and Nondepreciable Infrastructure | 1,917,257 | 1,019,556 | 2,936,813 | 63,756 |
| Total Noncurrent Assets | 15,188,268 | 8,908,574 | 24,096,842 | 5,112,743 |
| TOTAL ASSETS | 18,736,442 | 11,868,170 | 30,604,612 | 5,724,306 |
| | | | | |
| DEFERRED OUTFLOW OF RESOURCES: | | 5,005 | 5,005 | |
| LIABILITIES: | | | | |
| Current Liabilities: | | | | |
| Tax Refunds Payable | 661,829 | - | 661,829 | - |
| Accounts Payable and Accrued Liabilities | 677,041 706 | 623,195 | 1,300,236 | 114,703 |
| TABOR Refund Liability (Note 8B) Due To Other Governments | 228,229 | 53,622 | 706 281,851 | 1,335 |
| Due To Component Units | - | 123 | 123 | - |
| Deferred Revenue | 118,411 | 237,530 | 355,941 | 11,291 |
| Accrued Compensated Absences | 9,859 | 14,942 | 24,801 | 17,902 |
| Claims and Judgments Payable | 44,858 | 122 | 44,980 | 23,309 |
| Leases Payable | 14,387 | 5,853 | 20,240 | 700 |
| Notes, Bonds, and COPs Payable Other Postemployment Benefits | 162,705 | 243,588 15,721 | 406,293 15,721 | 73,806 |
| Other Current Liabilities | 16,531 | 110,545 | 127,076 | 182,936 |
| Total Current Liabilities | 1,934,556 | 1,305,241 | 3,239,797 | 425,982 |
| | 1,754,550 | 1,303,241 | 3,237,177 | 423,702 |
| Noncurrent Liabilities: Due to Other Funds | | | | |
| Deposits Held In Custody For Others | 16 | - | 16 | 269,961 |
| Accrued Compensated Absences | 132,394 | 219,026 | 351,420 | - |
| Claims and Judgments Payable | 330,516 | 36,472 | 366,988 | - |
| Capital Lease Payable Derivative Instrument Liability | 107,042 | 33,185 12,994 | 140,227 | 2,032 |
| Notes, Bonds, and COPs Payable | 1,614,258 | 3,946,554 | 12,994 5,560,812 | 1,797,695 |
| Due to Component Units | - | 1,758 | 1,758 | - |
| Other Postemployment Benefits | - | 139,653 | 139,653 | - |
| Other Long-Term Liabilities | 427,828 | 39,015 | 466,843 | 110,537 |
| Total Noncurrent Liabilities | 2,612,054 | 4,428,657 | 7,040,711 | 2,180,225 |
| TOTAL LIABILITIES | 4,546,610 | 5,733,898 | 10,280,508 | 2,606,207 |
| | | | | |
| NET POSITION: | | | | |
| Net investment in Capital Assets: Restricted for: | 10,107,776 | 3,254,165 | 13,361,941 | 213,396 |
| Construction and Highway Maintenance | 1,176,269 | - | 1,176,269 | - |
| Education | 280,270 | - | 280,270 | - |
| Unemployment Insurance | - | 189,393 | 189,393 | - |
| Debt Service | 21,453 | 7,464 | 28,917 | - |
| Emergencies Permanent Funds and Endowments: | 72,850 | 10,005 | 82,855 | 29 |
| Expendable | 6,024 | 6,975 | 12,999 | 744,500 |
| Nonexpendable | 684,953 | 79,675 | 764,628 | 594,144 |
| Other Purposes | 337,991 | 610,900 | 948,891 | 607,829 |
| Unrestricted | 1,502,246 | 1,980,700 | 3,482,946 | 958,201 |
| TOTAL NET POSITION | \$ 14,189,832 | \$ 6,139,277 | \$ 20,329,109 | \$ 3,118,099 |

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012

| | Expe | enses | | Progra | m Revenues | | |
|---|--------------|-------------|-----------------|--------|-------------|-----|-------------|
| (DOLLARS IN THOUSANDS) | | Indirect | | (| Operating | (| Capital |
| | | Cost | Charges for | G | rants and | Gr | ants and |
| Functions/Programs | Expenses | Allocation | Services | Co | ntributions | Con | ntributions |
| Primary Government: | | | | | | | |
| Governmental Activities: | | | | | | | |
| General Government | \$ 245,390 | \$ (21,049) | \$ 120,790 | \$ | 283,736 | \$ | 272 |
| Business, Community, and | | | | | | | |
| Consumer Affairs | 598,020 | 2,012 | 127,748 | | 276,687 | | 3 |
| Education | 5,203,409 | 1,692 | 22,352 | | 805,018 | | 13 |
| Health and Rehabilitation | 702,513 | 1,159 | 79,516 | | 411,000 | | - |
| Justice | 1,549,569 | 5,716 | 191,439 | | 76,155 | | 366 |
| Natural Resources | 92,724 | 1,161 | 155,445 | | 55,189 | | - |
| Social Assistance | 6,743,634 | 3,034 | 683,229 | | 3,867,790 | | - |
| Transportation | 1,775,153 | 2,335 | 405,275 | | 113,102 | | 599,646 |
| Interest on Debt | 40,935 | - | - | | - | | - |
| Total Governmental Activities | 16,951,347 | (3,940 | 1,785,794 | | 5,888,677 | | 600,300 |
| Business-Type Activities: | | | | | | | |
| Higher Education | 5,061,407 | 2,312 | 3,263,206 | | 1,789,434 | | 128,777 |
| Unemployment Insurance | 1,571,321 | - | 831,765 | | 924,039 | | - |
| Lottery | 495,216 | 607 | 560,375 | | 344 | | - |
| Wildlife | 160,028 | 439 | 133,564 | | 28,908 | | 3,290 |
| College Assist | 402,860 | 156 | 5,431 | | 402,575 | | - |
| Other Business-Type Activities | 196,091 | 426 | 289,633 | | 18,206 | | - |
| Total Business-Type Activities | 7,886,923 | 3,940 | 5,083,974 | | 3,163,506 | | 132,067 |
| Total Primary Government | 24,838,270 | | 6,869,768 | | 9,052,183 | | 732,367 |
| • | | | | | | | |
| Component Units: | 745 455 | | 0.47.57 | | 0.50- | | 4.5/- |
| University of Colorado Hospital Authority Colorado Water Resources and | 745,108 | - | 847,564 | | 3,585 | | 1,568 |
| Power Development Authority | 73,467 | - | 50,956 | | 31,070 | | - |
| University of Colorado Foundation | 120,512 | - | 5,100 | | 200,974 | | - |
| Colorado State University Foundation | 25,738 | - | - | | 73,146 | | - |
| Colorado School of Mines Foundation | 26,681 | - | - | | 39,304 | | - |
| Other Component Units | 136,246 | - | 102,693 | | 2,931 | | 1,299 |
| Total Component Units | \$ 1,127,752 | \$ - | \$ 1,006,313 | \$ | 351,010 | \$ | 2,867 |

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

Other Taxes

Restricted for Transportation:

Fuel Taxes

Other Taxes

Unrestricted Investment Earnings (Losses)

Other General Revenues

Payment from State of Colorado (Transfers-Out) / Transfers-In

Permanent Fund Additions
Total General Revenues, Special Items, and Transfers

Change in Net Position

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

Net Position - Fiscal Year Ending

Net (Expense) Revenue and Changes in Net Assets

| Component | | | | | | |
|---|---|----|--|----|--|----|
| | | | ness-Type | Вι | overnmental | Go |
| Units | Total | | ctivities | | Activities | |
| | | | | | | |
| | 190 457 | \$ | | \$ | 180,457 | \$ |
| | 180,457 | Ф | - | Ф | 180,437 | Ф |
| | (195,594) | | - | | (195,594) | |
| | (4,377,718) | | - | | (4,377,718) | |
| | (213,156) (1,287,325) | | - | | (213,156) | |
| | 116,749 | | - | | 116,749 | |
| | (2,195,649) | | - | | (2,195,649) | |
| | (659,465) | | - |) | (659,465) | |
| | (40,935) | | - |) | (40,935) | |
| | (8,672,636) | | - |) | (8,672,636) | |
| | | | | | | |
| | 117,698 | | 117,698 | | - | |
| | 184,483 | | 184,483 | | - | |
| | 64,896 5,295 | | 64,896 5,295 | | | |
| | 4,990 | | 4,990 | | - | |
| | 111,322 | | 111,322 | | - | |
| | 488,684 | | 488,684 | | - | |
| | (8,183,952) | | 488,684 |) | (8,672,636) | |
| | (6)166)762) | | 100/001 | / | (0,0,2,000) | |
| 107,60 | - | | - | | - | |
| 8,55 | _ | | _ | | _ | |
| 85,56 | - | | - | | - | |
| 47,40 | - | | - | | - | |
| 12,62 | - | | - | | - | |
| (29,32 | · <u>-</u> | | - | | - | |
| 232,43 | = | | | | | |
| _ | 2 220 020 | | | | 2 220 020 | |
| 2 | 2,330,030 244,618 | | - | | 2,330,030 244,618 | |
| | 4,651,746 | | - | | 4,651,746 | |
| | 431,976 | | - | | 431,976 | |
| | 519,870 | | - | | 519,870 | |
| | | | _ | | 378,082 | |
| | 378.082 | | | | 35,404 | |
| | 378,082 35,404 | | - | | 0 / 17 | |
| | | | - | | 3,617 | |
| | 35,404 | | - | | 557,755 | |
| | 35,404 3,617 557,755 529 | | - - - | | 557,755 529 | |
| 175,15 | 35,404 3,617 557,755 529 15,893 | | | | 557,755 529 15,893 | |
| | 35,404 3,617 557,755 529 | | - | | 557,755 529 | |
| | 35,404 3,617 557,755 529 15,893 95,325 | | | | 557,755 529 15,893 95,325 | |
| | 35,404 3,617 557,755 529 15,893 95,325 | | - 131,340 |) | 557,755 529 15,893 95,325 - (131,340) | |
| 43,93 | 35,404 3,617 557,755 529 15,893 95,325 | | - - - - - 131,340 - 131,340 |) | 557,755 529 15,893 95,325 | |
| 43,93 219,11 | 35,404 3,617 557,755 529 15,893 95,325 | | - |) | 557,755 529 15,893 95,325 (131,340) 595 | |
| 175,15 43,93 219,11 451,55 2,666,54 | 35,404 3,617 557,755 529 15,893 95,325 - - 595 9,265,440 | | 131,340 |) | 557,755 529 15,893 95,325 - (131,340) 595 9,134,100 | |

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2012

| (DOLLARS IN THOUSANDS) | | RESOURCE | HIGHWAY USERS |
|--|---------------|--------------|------------------|
| | GENERAL | EXTRACTION | TAX |
| ASSETS: | | | |
| Cash and Pooled Cash | \$ 596,411 | \$ 512,884 | \$ 35,731 |
| Taxes Receivable, net | 1,195,898 | 41,113 | - |
| Other Receivables, net | 56,867 | 21,680 | 3,069 |
| Due From Other Governments | 296,752 | 614 | 14 |
| Due From Other Funds | 62,792 | 1,375 | 1,409 |
| Due From Component Units | 137 | - | - |
| Inventories | 6,942 | 270 | 8,406 |
| Prepaids, Advances, and Deferred Charges | 24,175 | 21,003 | 64 |
| Restricted Cash and Pooled Cash | 242,543 | - | 1,161,468 |
| Restricted Investments | - | - | - |
| Restricted Receivables | 216 | - | 181,592 |
| Investments | 290,203 | - | - |
| Other Long-Term Assets | 8,880 | 397,624 | 13,162 |
| Depreciable Capital Assets and Infrastructure, net | - | - | = |
| Capital Assets Held as Investments | - | = | - |
| TOTAL ASSETS | \$ 2,781,816 | \$ 996,563 | \$ 1,404,915 |
| | | | |
| LIABILITIES: | | | |
| Tax Refunds Payable | \$ 656,124 | 5,438 | \$ 131 |
| Accounts Payable and Accrued Liabilities | 430,807 | 6,383 | 99,993 |
| TABOR Refund Liability (Note 8B) Due To Other Governments | 706 81,213 | 63,766 | 61,213 |
| Due To Other Funds | 98,137 | 285 | 721 |
| Deferred Revenue | 273,976 | 16,094 | 19,839 |
| Compensated Absences Payable | 112 | - | 17,037 |
| Claims and Judgments Payable | 317 | _ | _ |
| Other Current Liabilities | 8,943 | _ | 25 |
| Deposits Held In Custody For Others | 9 | | |
| TOTAL LIABILITIES | 1,550,344 | 91,966 | 181,922 |
| TOTAL LIABILITIES | 1,550,544 | 71,700 | 101,722 |
| FUND BALANCES: | | | |
| Nonspendable: | | | |
| Long-term Portion of Interfund Loans Receivable | - | - | - |
| Inventories | 6,942 | 270 | 8,406 |
| Permanent Fund Principal | - | - | - |
| Prepaids | 24,175 | 21,003 | 64 |
| Restricted | 508,658 | 13,675 | 1,176,269 |
| Committed | 330,895 | 869,649 | 38,254 |
| Assigned | 20 | - | - |
| Unassigned | 360,782 | - | - |
| TOTAL FUND BALANCES | 1,231,472 | 904,597 | 1,222,993 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 2,781,816 | \$ 996,563 | \$ 1,404,915 |
| | | | |

| | | | | | OTHER | | |
|----|---------|----|----------|----|--------------------|----|----------------|
| | CAPITAL | | STATE | GO | VERNMENTAL | | |
| PI | ROJECTS | EL | DUCATION | | FUNDS | | TOTAL |
| \$ | 39,549 | \$ | | \$ | 750 571 | ф | 1,943,146 |
| Ф | 39,349 | Ф | - | Ф | 758,571 37,849 | \$ | 1,943,146 |
| | 1,941 | | 2 | | 71,310 | | 154,869 |
| | 2,749 | | | | 17,465 | | 317,594 |
| | 7,465 | | 59,000 | | 18,138 | | 150,179 |
| | - | | - | | - | | 137 |
| | - | | - | | 14 | | 15,632 |
| | - | | - | | 7,598 | | 52,840 |
| | 3,815 | | 139,703 | | 231,885 | | 1,779,414 |
| | 32,407 | | - | | 558,676 | | 591,083 |
| | 124 | | - | | - | | 181,932 |
| | - | | - | | 128,197 | | 418,400 |
| | 92 | | - | | 19,257 | | 439,015 |
| | - | | - | | 52,367 | | - 52,367 |
| \$ | 88,142 | \$ | 198,705 | \$ | 1,901,327 | \$ | 7,371,468 |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| \$ | - | \$ | - | \$ | 136 | \$ | 661,829 |
| | 34,999 | | 3,867 | | 54,311 | | 630,360 |
| | - | | - | | 22,037 | | 706 228,229 |
| | 102 | | - 85 | | 52,804 | | 152,134 |
| | 289 | | - | | 70,848 | | 381,046 |
| | - | | - | | - | | 112 |
| | - | | - | | 84 | | 401 |
| | - | | - | | 4,302 | | 13,270 |
| | - | | - | | 7 | | 16 |
| | 35,390 | | 3,952 | | 204,529 | | 2,068,103 |
| | | | | | | | |
| | | | | | | | |
| | - | | - | | - | | - |
| | - | | - | | 14 | | 15,632 |
| | - | | - | | 737,239 | | 737,239 |
| | - | | - | | 7,598 | | 52,840 |
| | 19,957 | | 194,753 | | 260,801 691,146 | | 2,174,113 |
| | 32,795 | | - | | 091,140 | | 1,962,739 |
| | - | | - | | - | | 20 360,782 |
| | 52,752 | | 194,753 | | 1,696,798 | | 5,303,365 |
| \$ | 88,142 | \$ | 198,705 | \$ | 1,901,327 | \$ | 7,371,468 |
| Ψ | 00,142 | Ψ | 170,700 | Ψ | 1,701,327 | Ψ | 1,011,400 |

GOVERNMENTAL FUNDS BALANCE SHEET RECONCILED TO STATEMENT OF NET POSITION JUNE 30, 2012

| | | (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 POSITION TOTALS |
| ASSETS: | | | | | | | | |
| Current Assets: Cash and Pooled Cash | \$ 1,943,146 | \$ 26,185 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,969,331 |
| Investments | ψ 1,743,140 - | 20,103 | - | - | - | 1,726 | - | 1,726 |
| Taxes Receivable, net | 1,274,860 | - | - | - | - | (262,713) | - | 1,012,147 |
| Other Receivables, net | 154,869 | 446 | - | - | - | 284 | - | 155,599 |
| Due From Other Governments | 317,594 | 591 | - | - | - | - | | 318,185 |
| Due From Other Funds | 150,179 137 | 1,626 | - | - | - | - | (131,774) | 20,031 |
| Due From Component Units Inventories | 15,632 | 1,425 | - | - | - | - | - | 137 17,057 |
| Prepaids, Advances, and Deferred Charges | 52,840 | 1,121 | _ | - | _ | _ | - | 53,961 |
| Total Current Assets | 3,909,257 | 31,394 | | - | | (260,703) | (131,774) | 3,548,174 |
| | | | | | | , , | , , , , | |
| Noncurrent Assets: Restricted Cash and Pooled Cash | 1,779,414 | _ | _ | _ | _ | _ | _ | 1,779,414 |
| Restricted Investments | 591,083 | = | - | - | _ | - | = | 591,083 |
| Restricted Receivables | 181,932 | - | - | - | - | - | - | 181,932 |
| Investments | 418,400 | - | - | - | - | (1,726) | - | 416,674 |
| Other Long-Term Assets | 439,015 | 6 | 0.500.500 | - | - | 273,715 | - | 712,736 |
| Depreciable Capital Assets and Infrastructure, net Land and Nondepreciable Infrastructure | 52,367 | 68,994 1,040 | 9,520,178 1,863,850 | - | - | - | - | 9,589,172 1,917,257 |
| Total Noncurrent Assets | 3,462,211 | 70,040 | 11,384,028 | _ | | 271,989 | | 15,188,268 |
| TOTAL ASSETS | 7,371,468 | 101,434 | 11,384,028 | | | 11,286 | (131,774) | 18,736,442 |
| 16 ME / 1652 16 | 7,071,100 | 101/101 | 11,001,020 | | | 11,200 | (101,771) | 10,700,112 |
| LIABILITIES: | | | | | | | | |
| Current Liabilities: | | | | | | | | |
| Tax Refunds Payable | 661,829 | - | - | - | - | - | - | 661,829 |
| Accounts Payable and Accrued Liabilities | 630,360 | 14,697 | - | 11,574 | - | 20,410 | - | 677,041 |
| TABOR Refund Liability (Note 8B) | 706 | - | - | = | - | - | - | 706 |
| Due To Other Governments Due To Other Funds | 228,229 152,134 | 50 | - | | - | (20,410) | (131,774) | 228,229 |
| Due To Component Units | 132,134 | - | _ | _ | | (20,410) | (131,774) | |
| Deferred Revenue | 381,046 | 78 | - | - | - | (262,713) | - | 118,411 |
| Obligations Under Securities Lending | - | - | - | - | | | | - |
| Compensated Absences Payable | 112 | 103 | - | - | - | 9,644 | - | 9,859 |
| Claims and Judgments Payable | 401 | 10,669 | - | 2.710 | 33,253 | 11,204 | - | 44,858 |
| Leases Payable Notes, Bonds, and COPs Payable | - | 2,070 | - | 3,718 160,635 | - | | | 14,387 162,705 |
| Other Current Liabilities | 13,270 | 203 | - | 100,033 | - | 3,058 | - | 16,531 |
| Total Current Liabilities | 2,068,087 | 27,870 | | 175,927 | 33,253 | (238,807) | (131,774) | 1,934,556 |
| | 2,008,087 | 21,010 | | 173,727 | 33,233 | (230,007) | (131,774) | 1,734,330 |
| Noncurrent Liabilities: Deposits Held In Custody For Others | 16 | _ | = | _ | = | _ | _ | 16 |
| Accrued Compensated Absences | - | 6,819 | - | - | - | 125,575 | - | 132,394 |
| Claims and Judgments Payable | - | - | - | - | 106,239 | 224,277 | - | 330,516 |
| Capital Lease Payable | - | 52,776 | - | 54,266 | - | - | - | 107,042 |
| Notes, Bonds, and COPs Payable Other Long-Term Liabilities | - | 2,626 | - | 1,611,632 | - | 427,828 | - | 1,614,258 427,828 |
| | 16 | 62,221 | | 1,665,898 | 106,239 | 777,680 | | |
| Total Noncurrent Liabilities TOTAL LIABILITIES | 2,068,103 | 90,091 | - | 1,865,898 | 139,492 | 538,873 | (131,774) | 2,612,054 4,546,610 |
| | 2,300,103 | ,0,0,1 | | .,541,025 | 137,472 | 330,073 | (.51,774) | .,545,510 |
| NET POSITION: | | | | | | | | |
| Net investment in Capital Assets: | 52,367 | 1,893 | 11,384,028 | (1,330,512) | - | - | - | 10,107,776 |
| Restricted for: | | | | | | | | |
| Construction and Highway Maintenance | 1,192,848 | - | - | (16,579) | - | - | - | 1,176,269 |
| Education Debt Service | 542,947 21,453 | - | - | (262,677) | - | - | - | 280,270 21,453 |
| Emergencies | 72,850 | - | - | - | - | - | - | 72,850 |
| Permanent Funds and Endowments: | , 2,000 | | | | | | | , 2,030 |
| Expendable | 6,024 | - | - | - | - | - | - | 6,024 |
| Nonexpendable | 684,953 | - | - | - | - | - | - | 684,953 |
| Other Purposes | 337,991 | 0.450 | - | (222.057) | (120,400) | (FOZ FOZ) | - | 337,991 |
| Unrestricted | 2,391,932 | 9,450 | - | (232,057) | (139,492) | (527,587) | - | 1,502,246 |
| TOTAL NET POSITION | \$ 5,303,365 | \$ 11,343 | \$ 11,384,028 | \$ (1,841,825) | \$ (139,492) | \$ (527,587) | \$ - | \$ 14,189,832 |

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

- (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 Position*. Internal Service Funds are reported using proprietary fund-type accounting in the fund-level financial statements. In addition to minor internal sales within the Department of Transportation and the Department of Public Safety, the State's Internal Service Funds provide the following goods and services to nearly all state agencies:
 - Fleet management,
 - Printing and mail services,
 - Information technology and telecommunication services,
 - Building maintenance and management in the capitol complex,
 - Administrative court services, and
 - Debt collection.
- (B) Capital assets used in governmental activities are not current financial resources, and therefore, they are not included in the fund-level financial statements. However, capital assets are economic resources and are reported in the government-wide *Statement of Net Position*.
- (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 position and are reported in the *Statement of Net Position*. The portion reported as current in the reconciliation is payable within the following fiscal year. The largest single portion of the long-term balance is related to Transportation Revenue Anticipation Notes issued by the Department of Transportation.
- (D) Risk management liabilities are actuarially determined claims and consist of a current and long-term portion. Generally accepted accounting principles (GAAP) list claims and judgments as an exception to the full accrual basis of accounting that constitutes the modified accrual basis of accounting. The current portion (payable within one year) is excluded from the fund-level statements because it is not payable with expendable available financial resources. In this instance, "payable with expendable available financial resources" means the amounts are not accrued as fund liabilities because they are not budgeted in the current year. The long-term portion of the risk management liability is excluded from the fund-level statements because it is not due and payable in the current period.
- (E) Other measurement focus adjustments include:
 - Interfund balances receivable from or payable to fiduciary funds are reported on the fund-level *Balance Sheet Governmental Funds* as due from/to other funds. On the government-wide *Statement of Net Position*, 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 Position* 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 Position, but they are not reported on the fund-level Balance Sheet Governmental Funds.
 - Claims and Judgments Payable and other long-term liabilities are not reported on the fund-level *Balance Sheet Governmental Funds* because the amounts are not due and payable from current financial resources. However, from an economic perspective, these liabilities reduce net position, and they are therefore reported on the government-wide *Statement of Net Position*.
- (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 Position* along with all governmental-activities interfund receivables.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2012

| (DOLLARS IN THOUSANDS) | | RESOURCE | HIGHWAY USERS |
|--|--------------|---------------|------------------|
| | GENERAL | EXTRACTION | TAX |
| REVENUES: | | | |
| Taxes: | | | |
| Individual and Fiduciary Income | \$ 4,634,798 | \$ - | \$ - |
| Corporate Income | 459,175 | - | - |
| Sales and Use | 2,293,837 | - | - |
| Excise | 93,897 | - | 557,754 |
| Other Taxes | 198,135 | 199,437 | 529 |
| Licenses, Permits, and Fines | 20,949 | 1,692 | 337,346 |
| Charges for Goods and Services | 75,480 | 7,148 | 120,766 |
| Rents | 418 | 13 21,371 | 1,486 |
| Investment Income (Loss) Federal Grants and Contracts | 29,456 | | 15,472 |
| Additions to Permanent Funds | 5,209,047 | 174,564 | 615,172 |
| | - | - | - |
| Unclaimed Property Receipts Other | 137,618 | 4,534 | - 77,882 |
| TOTAL REVENUES | 13,152,810 | 408,759 | 1,726,407 |
| TOTAL REVENUES | 13,132,610 | 406,739 | 1,720,407 |
| EXPENDITURES: | | | |
| Current: | | | |
| General Government | 275,590 | - | 10,219 |
| Business, Community, and Consumer Affairs | 175,814 | 3,907 | - |
| Education | 600,654 | = | - |
| Health and Rehabilitation | 544,105 | - | 10,158 |
| Justice | 1,194,324 | - | 87,466 |
| Natural Resources | 39,065 | 41,920 | - |
| Social Assistance | 5,862,232 | - | - |
| Transportation | | | 979,697 |
| Capital Outlay | 217,358 | 12,128 | 37,564 |
| Intergovernmental: | (4.000 | 24.000 | 100.011 |
| Cities | 61,098 | 36,309 | 139,811 |
| Counties | 1,090,109 | 27,458 | 189,076 |
| School Districts | 3,575,697 | 3,480 | 27 200 |
| Special Districts Federal | 45,619 17 | 15,470 774 | 27,390 |
| Other | 40,476 | 2,452 | 638 |
| Debt Service | 29,224 | 2,432 | 030 |
| TOTAL EXPENDITURES | | 142.000 | 1 402 010 |
| TOTAL EXPENDITURES | 13,751,382 | 143,898 | 1,482,019 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (598,572) | 264,861 | 244,388 |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers-In | 4,152,046 | 298 | 2,165 |
| Transfers-Out | (3,075,668) | (226,392) | (231,299 |
| Face Amount of Bond/COP Issuance | 146,635 | (220,072) | (201,277 |
| Bond/COP Premium/Discount | 12,778 | - | - |
| Capital Lease Proceeds | 17,043 | _ | _ |
| Sale of Capital Assets | - | _ | - |
| Insurance Recoveries | 636 | - | 4,362 |
| Bond/COP Refunding Issuance | - | _ | 144,342 |
| Bond/COP Refunding Payments | - | - | (143,978) |
| TOTAL OTHER FINANCING SOURCES (USES) | 1,253,470 | (226,094) | (224,408) |
| NET CHANGE IN FUND BALANCES | 654,898 | 38,767 | 19,980 |
| ELIND BALANCE EISCAL VEAD DECLINIUM | 602 947 | 840 500 | 1 202 012 |
| FUND BALANCE, FISCAL YEAR BEGINNING Prior Period Adjustment (See Note 29) | 602,847 | 868,500 | 1,203,013 |
| Prior Period Adjustment (See Note 29) | (26,273) | (2,670) | - |
| FUND BALANCE, FISCAL YEAR END | \$ 1,231,472 | \$ 904,597 | \$ 1,222,993 |

| | CAPITAL | | STATE | OTHER GOVERNMENTAL | | |
|----|-----------|----|-----------|-----------------------|----|--------------------|
| P | PROJECTS | ED | UCATION | FUNDS | | TOTAL |
| | | | | | | |
| \$ | - | \$ | 379,549 | \$ - | \$ | 5,014,347 |
| | - | | 33,938 | - | | 493,113 |
| | - | | 3,617 | 39,012 | | 2,336,466 |
| | - | | - | 149,701 | | 801,352 |
| | - 5 | | - | 139,941 364,485 | | 538,042 724,477 |
| | 405 | | | 687,994 | | 891,793 |
| | 1 | | - | 146,029 | | 147,947 |
| | 2,483 | | 3,971 | 48,340 | | 121,093 |
| | 23,630 | | - | 205,134 | | 6,227,547 |
| | - | | - | 595 | | 595 |
| | - | | - | 42,948 | | 42,948 |
| | 4,924 | | 259 | 27,836 | | 253,053 |
| | 31,448 | | 421,334 | 1,852,015 | | 17,592,773 |
| | | | | | | |
| | 12,018 | | - | 61,548 | | 359,375 |
| | 17 | | - | 182,951 | | 362,689 |
| | 7,853 | | 31,831 | 20,684 | | 661,022 |
| | 328 | | - | 71,545 | | 626,136 |
| | 2,749 | | - | 37,177 | | 1,321,716 |
| | 1,413 | | | 9,258 199,200 | | 90,243 |
| | 1,415 | | - - | 2,259 | | 981,956 |
| | 188,416 | | - | 3,556 | | 459,022 |
| | _ | | _ | 49,982 | | 287,200 |
| | - | | _ | 63,863 | | 1,370,506 |
| | - | | 613,588 | 7,514 | | 4,200,279 |
| | - | | - | 7,429 | | 95,908 |
| | - | | - | 1,703 | | 2,494 |
| | 268 - | | 348 | 34,754 207,052 | | 78,936 236,276 |
| | 213,062 | | 645,767 | 960,475 | | 17,196,603 |
| | (181,614) | | (224,433) | 891,540 | | 396,170 |
| | (101/011/ | | (221)100) | 07.70.0 | | 070,170 |
| | 73,515 | | 59,002 | 323,336 | | 4,610,362 |
| | (59,348) | | (6,102) | (1,130,906) | | (4,729,715) |
| | - | | - | 9,300 | | 155,935 |
| | - | | - | - | | 12,778 |
| | - | | - | 48 | | 17,091 |
| | - | | - | 14,311 | | 14,311 |
| | 867 | | - | - | | 5,865 144,342 |
| | - | | - | - - | | (143,978) |
| | 15,034 | | 52,900 | (783,911) | | 86,991 |
| | (166,580) | | (171,533) | 107,629 | | 483,161 |
| | 219,332 | | 365,801 | 1,582,479 | | 4,841,972 |
| | | | 485 | 6,690 | | (21,768) |
| \$ | 52,752 | \$ | 194,753 | \$ 1,696,798 | \$ | 5,303,365 |
| Ф | 32,132 | Φ | 174,700 | φ 1,070,776 | Φ | 3,303,303 |

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES RECONCILED TO STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012

| | | (A) | (B) | (C) | (D) | |
|--|--------------------------------|------------------------------|-----------------------------|-----------------------------------|--|--------------------------------------|
| (DOLLARS IN THOUSANDS) | TOTAL GOVERNMENTAL FUNDS | INTERNAL SERVICE FUNDS | CAPITAL RELATED ITEMS | LONG-TERM DEBT TRANSACTIONS | OTHER MEASUREMENT FOCUS ADJUSTMENTS | STATEMENT OF ACTIVITIES TOTALS |
| | FUNDS | FUNDS | HEWS | TRANSACTIONS | ADJUSTMENTS | TOTALS |
| REVENUES: Taxes: | | | | | | |
| Individual and Fiduciary Income | \$ 5,014,347 | \$ - | \$ - | \$ - | \$ 17,265 | \$ 5,031,612 |
| Corporate Income | 493,113 | - | - | - | (27,200) | 465,913 |
| Sales and Use | 2,336,466 | = | = | = | (2,821) | 2,333,645 |
| Excise | 801,352 | = | = | = | 1,020 | 802,372 |
| Other Taxes | 538,042 | - | = | = | 1,348 | 539,390 |
| Licenses, Permits, and Fines | 724,477 | - | - | - | (22) | 724,455 |
| Charges for Goods and Services Rents | 891,793 147.947 | - | - | - | (6) | 891,787 147,947 |
| Investment Income (Loss) | 121,093 | 93 | = | = | 1,276 | 122,462 |
| Federal Grants and Contracts | 6,227,547 | - | _ | - | (116) | 6,227,431 |
| Additions to Permanent Funds | 595 | _ | = | _ | - | 595 |
| Unclaimed Property Receipts | 42,948 | - | - | - | - | 42,948 |
| Other | 253,053 | = | 3 | = | (18) | 253,038 |
| TOTAL REVENUES | 17,592,773 | 93 | 3 | - | (9,274) | 17,583,595 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| General Government | 359,375 | (2,043) | 15,952 | = | 4,498 | 377,782 |
| Business, Community, and Consumer Affairs | 362,689 | (499) | 3,888 | - | (16,539) | 349,539 |
| Education | 661,022 | (132) | 5,614 | = | 191 | 666,695 |
| Health and Rehabilitation | 626,136 | (130) | 11,580 | - | (5) | 637,581 |
| Justice | 1,321,716 | (367) | 33,365 | - | (382) | 1,354,332 |
| Natural Resources Social Assistance | 90,243 6,062,845 | (352) (691) | 2,404 4,058 | - | 71 (43) | 92,366 6,066,169 |
| Transportation | 981,956 | 52 | 371,050 | - | (95) | 1,352,963 |
| Capital Outlay | 459,022 | - | (456,130) | _ | (75) | 2,892 |
| Intergovernmental: | 107,022 | | (100,100) | | | 2,072 |
| Cities | 287,200 | = | - | = | = | 287,200 |
| Counties | 1,370,506 | - | - | - | - | 1,370,506 |
| School Districts | 4,200,279 | - | - | - | = | 4,200,279 |
| Special Districts | 95,908 | = | - | = | - | 95,908 |
| Federal | 2,494 | - | 213 | = | = | 2,707 |
| Other | 78,936 | 2.725 | = | (157.044) | = | 78,936 |
| Debt Service | 236,276 | 2,735 | (8,006) | (157,044) | (12,304) | 81,967 |
| TOTAL EXPENDITURES | 17,190,003 | (1,427) | | (157,044) | (12,304) | 17,017,822 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 396,170 | 1,520 | 8,009 | 157,044 | 3,030 | 565,773 |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Transfers-In | 4,610,362 | 4,430 | = | = | = | 4,614,792 |
| Transfers-Out | (4,729,715) | (4,895) | = | Ξ | Ξ | (4,734,610) |
| Face Amount of Bond/COP Issuance | 155,935 | - | = | (155,935) | = | = |
| Bond/COP Premium/Discount | 12,778 | - | = | (12,378) | = | 400 |
| Capital Lease Proceeds | 17,091 | - | - (F 400) | (17,091) | - | - 0.000 |
| Sale of Capital Assets Insurance Recoveries | 14,311 5,865 | - | (5,422) | - | - | 8,889 5,865 |
| Bond/COP Refunding Issuance | 144,342 | - | - | (144,342) | - | 5,605 |
| Bond/COP Refunding Payments | (143,978) | | - | 143,978 | - | |
| TOTAL OTHER FINANCING SOURCES (USES) | 86,991 | (465) | (5,422) | (185,768) | | (104,664) |
| , , | - | | (0,122) | (100,700) | | |
| Internal Service Fund Charges to BTAs | - | 355 | | | = | 355 |
| NET CHANGE FOR THE YEAR | 483,161 | 1,410 | 2,587 | (28,724) | 3,030 | 461,464 |
| Prior Period Adjustment (Note 29) | (21,768) | - | 357,028 | - | - | 335,260 |
| TOTAL CHANGE FOR THE CURRENT YEAR WITH PRIOR PERIOD ADJUSTMENT | \$ 461,393 | \$ 1,410 | \$ 359,615 | \$ (28,724) | \$ 3,030 | \$ 796,724 |

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

- (A) Management uses Internal Services Funds to report charges for and the costs of goods and services sold by state agencies solely within the state. Internal Service Funds are intended to operate on the cost reimbursement basis and should break even each period. If an Internal Service Fund makes a profit, the other funds of the State have been overcharged. If an Internal Service Fund has an operating loss, the other funds of the State have been undercharged. In order to show the true cost of services purchased from Internal Service Funds, an adjustment is made that allocates the net revenue/expense of each Internal Service Fund to the programs that purchased the service. Investment income, debt service, and transfers of the Internal Service Fund are not allocated. In addition to minor internal sales within the Department of Transportation and the Department of Public Safety, the State's Internal Service Funds provide the following goods and services to nearly all state agencies:
 - Fleet management,
 - Printing and mail services,
 - Information technology services,
 - Telecommunication services,
 - Building maintenance and management in the capitol complex,
 - Administrative court services, and
 - Debt collection.
- (B) The following adjustments relate to capital assets:
 - Capital assets, received as donations, are not reported on the fund-level Statement of Revenues, Expenditures, and
 Changes in Fund Balances Governmental Funds because they are not current financial resources. However, such
 donations increase net position and are reported on both the government-wide Statement of Net Position 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 Position*. 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 Position and are not reported on the government-wide Statement of Activities.
 - Amortization of issuance costs, debt premium/discount, and gain/loss on refunding are not reported on the fund-level Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds, but are reported on the government-wide Statement of Activities.
 - Lease proceeds, issuance of debt, and debt refunding proceeds are all reported as other financing sources on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds.* From an economic perspective lease proceeds, debt issuances, and debt refunding proceeds are reported as liabilities on the government-wide *Statement of Net Position* 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 POSITION PROPRIETARY FUNDS JUNE 30, 2012

| (DOLLARS IN THOUSANDS) | HIGHER | |
|---|-------------------------|--------------|
| | EDUCATION | UNEMPLOYMENT |
| | INSTITUTIONS | INSURANCE |
| ASSETS: | | |
| Current Assets: | ¢ 115/700 | ¢ 522.027 |
| Cash and Pooled Cash Investments | \$ 1,156,788 158,009 | \$ 523,036 |
| Premiums Receivable, net | 130,007 | 159,303 |
| Student and Other Receivables, net | 279,720 | 12,019 |
| Due From Other Governments | 200,149 | 10,484 |
| Due From Other Funds | 5,150 | - |
| Due From Component Units | 18,715 | - |
| Inventories | 37,654 | - |
| Prepaids, Advances, and Deferred Charges | 13,059 | - |
| Total Current Assets | 1,869,244 | 704,842 |
| Noncurrent Assets: | | |
| Restricted Cash and Pooled Cash | 311,957 | _ |
| Restricted Investments | 295,228 | - |
| Restricted Receivables | - | - |
| Investments | 1,444,321 | - |
| Other Long-Term Assets | 115,832 | 2,328 |
| Depreciable Capital Assets and Infrastructure, net | 4,998,163 | - |
| Land and Nondepreciable Infrastructure | 549,766 | - |
| Total Noncurrent Assets | 7,715,267 | 2,328 |
| TOTAL ASSETS | 9,584,511 | 707,170 |
| | | |
| DEFERRED OUTFLOW OF RESOURCES: | 5,005 | - |
| LIABILITIES: | | |
| Current Liabilities: | | |
| Accounts Payable and Accrued Liabilities | 558,531 | 275 |
| Due To Other Governments | 11.0/1 | 2 |
| Due To Other Funds Due To Component Units | 11,861 123 | |
| Deferred Revenue | 197,004 | - |
| Compensated Absences Payable | 14,221 | - |
| Claims and Judgments Payable | | |
| Leases Payable | 5,632 | - |
| Notes, Bonds, and COPs Payable | 117,833 | 124,960 |
| Other Postemployment Benefits | 15,721 | - |
| Other Current Liabilities | 69,101 | 8,444 |
| Total Current Liabilities | 990,027 | 133,681 |
| Noncurrent Liabilities: | | |
| Due to Other Funds | - | - |
| Accrued Compensated Absences | 207,543 | - |
| Claims and Judgments Payable | 36,472 | - |
| Capital Lease Payable | 27,762 | - |
| Derivative Instrument Liability | 12,994 | - |
| Notes, Bonds, and COPs Payable | 3,128,982 | 509,056 |
| Due to Component Units Other Postemployment Repetits | 1,758 | - |
| Other Postemployment Benefits Other Long-Term Liabilities | 139,653 15,698 | - |
| Total Noncurrent Liabilities | 3,570,862 | 509,056 |
| TOTAL LIABILITIES | 4,560,889 | 642,737 |
| | | |
| NET POSITION: | 0 | |
| Net investment in Capital Assets: | 2,734,668 | (124,960) |
| Restricted for: Unemployment Insurance | | 100 202 |
| Debt Service | 7,464 | 189,393 |
| Emergencies | - | - |
| Expendable | 6,975 | - |
| Nonexpendable | 79,675 | - |
| | | |
| Other Purposes | 556,705 | - |
| Other Purposes Unrestricted | 1,643,141 | <u> </u> |

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS

GOVERNMENTAL ACTIVITIES

| | | | INTERNAL |
|-----------|--------------|--------------|-----------|
| STATE | OTHER | | SERVICE |
| LOTTERY | ENTERPRISES | TOTAL | FUNDS |
| LOTTERT | ENTERPRISES | TOTAL | FUNDS |
| | | | |
| | | | |
| \$ 33,995 | \$ 297,618 | \$ 2,011,437 | \$ 26,185 |
| - | 2,090 | 160,099 | - |
| _ | _ | 159,303 | _ |
| 19,719 | 22,416 | 333,874 | 446 |
| 17,717 | 8,034 | 218,667 | 591 |
| _ | 7,263 | | 1,626 |
| | 7,203 | 12,413 | 1,020 |
| | | 18,715 | |
| 1,027 | 14,637 | 53,318 | 1,425 |
| 5,067 | 6,034 | 24,160 | 1,121 |
| 59,808 | 358,092 | 2,991,986 | 31,394 |
| | | <u> </u> | |
| | | | |
| - | 58,982 | 370,939 | - |
| - | - | 295,228 | _ |
| _ | 80,975 | 80,975 | _ |
| | 324,026 | 1,768,347 | |
| = | 4,178 | 122,338 | 6 |
| 2 022 | | | |
| 2,832 | 250,196 | 5,251,191 | 68,994 |
| | 469,790 | 1,019,556 | 1,040 |
| 2,832 | 1,188,147 | 8,908,574 | 70,040 |
| | | 11,900,560 | |
| 62,640 | 1,546,239 | 11,900,560 | 101,434 |
| | | | |
| - | - | 5,005 | |
| | | | |
| | | | |
| | | | |
| 4,734 | 43,958 | 607,498 | 14,697 |
| 25 | 53,595 | 53,622 | , |
| 28,984 | | 46,011 | 50 |
| 20,904 | 5,166 | | |
| - | | 123 | |
| - | 40,526 | 237,530 | 78 |
| - | 721 | 14,942 | 103 |
| - | 122 | 122 | - |
| - | 221 | 5,853 | 10,669 |
| - | 795 | 243,588 | 2,070 |
| | - | 15,721 | |
| 22,825 | 10,175 | 110,545 | 203 |
| | | | |
| 56,568 | 155,279 | 1,335,555 | 27,870 |
| | | | |
| | 0.077 | 0.077 | |
| | 2,077 | 2,077 | |
| 836 | 10,647 | 219,026 | 6,819 |
| - | - | 36,472 | - |
| - | 5,423 | 33,185 | 52,776 |
| - | - | 12,994 | - |
| - | 308,516 | 3,946,554 | 2,626 |
| - | - | 1,758 | · · |
| | | 139,653 | |
| 61 | 23,256 | 39,015 | _ |
| | | | |
| 897 | 349,919 | 4,430,734 | 62,221 |
| 57,465 | 505,198 | 5,766,289 | 90,091 |
| 37,700 | 303,170 | 5,,00,207 | 70,071 |
| | | | |
| 2,832 | 641,625 | 3,254,165 | 1,893 |
| 2,002 | 3,020 | -,-0.,.00 | .,575 |
| _ | _ | 189,393 | _ |
| - | - | | - |
| - | 10.005 | 7,464 | - |
| | 10,005 | 10,005 | |
| - | - | 6,975 | - |
| - | - | 79,675 | - |
| - | 54,195 | 610,900 | - |
| 2,343 | 335,216 | 1,980,700 | 9,450 |
| \$ 5,175 | \$ 1,041,041 | \$ 6,139,276 | \$ 11,343 |
| | | ,, | ,= 10 |

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2012

| | - | |
|---|------------------|--------------|
| (DOLLARS IN THOUSANDS) | HIGHER | |
| (DOLLARS IN THOUSANDS) | EDUCATION | UNEMPLOYMENT |
| | INSTITUTIONS | INSURANCE |
| OPERATING REVENUES: | | |
| Unemployment Insurance Premiums | \$ - | \$ 828,530 |
| License and Permits | - | 95 |
| Tuition and Fees | 2,242,109 | - |
| Scholarship Allowance for Tuition and Fees | (535,538) | - |
| Sales of Goods and Services | 1,446,896 | - |
| Scholarship Allowance for Sales of Goods & Services | (21,874) | - |
| Investment Income (Loss) | 1,449 | - |
| Rental Income Gifts and Donations | 14,610 24,038 | - |
| Federal Grants and Contracts | 1,077,393 | 922,611 |
| Intergovernmental Revenue | 10,093 | 722,011 |
| Other | 248,734 | 1,230 |
| TOTAL OPERATING REVENUES | • | 1,752,466 |
| TOTAL OPERATING REVENUES | 4,507,910 | 1,752,466 |
| OPERATING EXPENSES: | | |
| Salaries and Fringe Benefits | 3,208,747 | 522 |
| Operating and Travel | 1,220,177 | 1,559,539 |
| Cost of Goods Sold | 145,634 | <u> </u> |
| Depreciation and Amortization | 315,584 | - |
| Intergovernmental Distributions | 29,695 | - |
| Debt Service | - | - |
| Prizes and Awards | 356 | - |
| TOTAL OPERATING EXPENSES | 4,920,193 | 1,560,061 |
| DPERATING INCOME (LOSS) | (412,283) | 192,405 |
| NONOPERATING REVENUES AND (EXPENSES): | | |
| Taxes | - | - |
| Fines and Settlements | 975 | 1,908 |
| Investment Income (Loss) | 57,235 | 1,428 |
| Rental Income | 39,643 | 1 |
| Gifts and Donations | 133,666 | - |
| Intergovernmental Distributions | (19,575) | - |
| Federal Grants and Contracts | 308,873 | - |
| Gain/(Loss) on Sale or Impairment of Capital Assets | (1,367) | - |
| Insurance Recoveries from Prior Year Impairments | 171 | - |
| Debt Service | (119,308) | (11,260) |
| Other Expenses | (1,415) | - |
| Other Revenues | 4,323 | |
| TOTAL NONOPERATING REVENUES (EXPENSES) | 403,221 | (7,923) |
| NCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | (9,062) | 184,482 |
| CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS: | | |
| Capital Contributions | 134,279 | - |
| Additions to Permanent Endowments | 377 | - |
| Transfers-In | 188,735 | - |
| Transfers-Out | (4,949) | (2,141) |
| TOTAL CONTRIBUTIONS AND TRANSFERS | 318,442 | (2,141) |
| CHANGE IN NET POSITION | 309,380 | 182,341 |
| NET POSITION - FISCAL YEAR BEGINNING | 4,723,248 | (117,908) |
| Prior Period Adjustments (See Note 29) | (4,001) | (117,700) |
| · | • | ф (4.400 |
| NET POSITION - FISCAL YEAR ENDING | \$ 5,028,627 | \$ 64,433 |

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS

GOVERNMENTAL ACTIVITIES

| STATE LOTTERY | OTHER ENTERPRISES | TOTAL | INTERNAL SERVICE FUNDS |
|------------------|----------------------|-----------------------|------------------------------|
| ¢. | ¢. | ¢ 020 E20 | ¢. |
| \$ - 65 | \$ - 104.017 | \$ 828,530 104,177 | \$ - |
| | 104,017 539 | 104,177 | - |
| - | 539 | 2,242,648 | - |
| - | - | (535,538) | - |
| 559,342 | 205,861 | 2,212,099 | 201,087 |
| - | - | (21,874) | |
| - | 8,518 | 9,967 | - |
| - | 1,778 | 16,388 | 11,650 |
| - | - | 24,038 | |
| - | 472,001 | 2,472,005 | - |
| - | 24,970 | 35,063 | - |
| 967 | 7,277 | 258,208 | 380 |
| 560,374 | 824,961 | 7,645,711 | 213,117 |
| | | | |
| 9,452 | 209,715 | 3,428,436 | 105,124 |
| 58,995 | 455,661 | 3,294,372 | 80,165 |
| 11,958 | 40,340 | 197,932 | 7,812 |
| 1,049 | 14,521 | 331,154 | 16,138 |
| · - | 8,737 | 38,432 | 3 |
| _ | 14,871 | 14,871 | - |
| 356,679 | 872 | 357,907 | - |
| 438,133 | 744,717 | 7,663,104 | 209,242 |
| 122,241 | 80,244 | (17,393) | 3,875 |
| - | 27,318 | 27,318 | - |
| - | 6,678 | 9,561 | - |
| 344 | 8,168 | 67,175 | 92 |
| | 9,205 | 48,849 | - |
| _ | 2,702 | 136,368 | _ |
| (57.066) | 2,702 | | |
| (57,066) | - | (76,641) | - |
| (24) | - | 308,873 | 250 |
| (34) | 155 | (1,246) | 394 |
| - | (7) | 164 | - |
| - | (14,725) | (145,293) | (2,683) |
| - | (120) | (1,535) | (53) |
| - | 3 | 4,326 | |
| (56,756) | 39,377 | 377,919 | (2,000) |
| 65,485 | 119,621 | 360,526 | 1,875 |
| _ | 3,670 | 137,949 | 2,167 |
| - | - | 377 | - |
| - | 20,966 | 209,701 | 2,263 |
| (66,679) | (14,761) | (88,530) | (4,895) |
| (66,679) | 9,875 | 259,497 | (465) |
| (1,194) | 129,496 | 620,023 | 1,410 |
| | | -, | , |
| | | | |
| 6,369 | 652,974 | 5,264,683 | 9,933 |
| 6,369 - | 652,974 258,571 | 5,264,683 254,570 | 9,933 |

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2012

| (DOLLADO IN THOUGANDO) | | LUCUED | | |
|--|-------------------------------------|-------------|---------------------------|-------|
| (DOLLARS IN THOUSANDS) | HIGHER EDUCATION INSTITUTIONS | | UNEMPLOYMENT INSURANCE | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Cash Received from: | | | | |
| Tuition, Fees, and Student Loans | \$ | 1,723,530 | \$ | - |
| Fees for Service | | 1,362,068 | | - |
| Sales of Products | | 6,508 | | - |
| Gifts, Grants, and Contracts | | 1,568,403 | 920 | ,104 |
| Loan and Note Repayments | | 403,396 | | - |
| Unemployment Insurance Premiums | | - | 535 | ,435 |
| Income from Property | | 54,253 | | - |
| Other Sources | | 64,561 | | - |
| Cash Payments to or for: | | | | |
| Employees | | (3,052,233) | | - |
| Suppliers | | (1,218,845) | | - |
| Sales Commissions and Lottery Prizes | | - | | - |
| Unemployment Benefits | | - | (1,544 | ,638) |
| Scholarships | | (115,501) | | - |
| Others for Student Loans and Loan Losses | | (401,886) | | - |
| Other Governments | | (30,980) | | - |
| Other | | (78,275) | | - |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | | 284,999 | (89 | ,099) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| Transfers-In | | 189,084 | | _ |
| Transfers-Out | | (4,949) | (2 | ,141) |
| Receipt of Deposits Held in Custody | | 620,308 | (2 | - |
| Release of Deposits Held in Custody | | (619,369) | | |
| Gifts and Grants for Other Than Capital Purposes | | 134,024 | | _ |
| Intergovernmental Distributions | | (19,575) | | _ |
| NonCapital Debt Proceeds | | 3,186 | 632 | ,886 |
| NonCapital Debt Freeedas NonCapital Debt Service Payments | | (7,906) | | ,038) |
| NET CASH FROM NONCAPITAL FINANCING ACTIVITIES | | 294,803 | • | ,707 |
| | | | | |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Acquisition of Capital Assets | | (579,632) | | - |
| Capital Contributions | | 398 | | - |
| Capital Gifts, Grants, and Contracts | | 72,173 | | - |
| Proceeds from Sale of Capital Assets | | 5,730 | | - |
| Capital Debt Proceeds | | 677,885 | | - |
| Capital Debt Service Payments | | (454,908) | | - |
| Capital Lease Payments | | (23,386) | | - |
| NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | (301,740) | | - |
| | | | | |

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

(Continued)

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS

GOVERNMENTAL ACTIVITIES

| STAT | re | OTHER | | INTERNAL |
|-------|-------|-------------|--------------|---------------|
| LOTTE | | ENTERPRISE | TOTALS | SERVICE FUNDS |
| | | | | |
| | | | | |
| \$ | - | \$ 827 | \$ 1,724,357 | \$ - |
| | - | 240,539 | 1,602,607 | 200,381 |
| 559 | ,006 | 57,130 | 622,644 | 982 |
| | - | 446,369 | 2,934,876 | 248 |
| | - | - | 403,396 | - |
| | - | - | 535,435 | |
| | - | 10,983 | 65,236 | 11,673 |
| 1, | ,032 | 87,939 | 153,532 | 562 |
| (8) | ,876) | (139,764) | (3,200,873) | (88,944) |
| | ,503) | (229,540) | (1,476,888) | (99,754) |
| (407) | ,672) | (4,261) | (411,933) | (608) |
| | - | | (1,544,638) | - |
| | - | - | (115,501) | - |
| | - | (343,260) | (745,146) | - |
| | - | (8,772) | (39,752) | (3) |
| | (17) | (13,937) | (92,229) | (125) |
| 114 | ,970 | 104,253 | 415,123 | 24,412 |
| | | | | |
| | _ | 20,966 | 210,050 | 2,263 |
| (66 | ,679) | (14,761) | (88,530) | (4,895) |
| | - | 13 | 620,321 | 433 |
| | - | (1) | (619,370) | (488) |
| | - | 2,111 | 136,135 | - |
| (53) | ,708) | - | (73,283) | |
| | - | - | 636,072 | - |
| | - | (611) | (28,555) | |
| (120 | ,387) | 7,717 | 792,840 | (2,687) |
| | | | | |
| (| (132) | (116,092) | (695,856) | (2,334) |
| | - | - | 398 | - |
| | - | - | 72,173 | |
| | - | 17 | 5,747 | 4,234 |
| | - | - (4.4.406) | 677,885 | - (4 (22) |
| | - | (14,493) | (469,401) | (4,628) |
| | - | (2,672) | (26,058) | (13,249) |
| | (132) | (133,240) | (435,112) | (15,977) |
| | | | | |

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2012

(Continued)

| E | HIGHER DUCATION STITUTIONS 77,464 3,960,492 (4,267,900) | | MPLOYMEN' ISURANCE 1,428 |
|----|--|---|---|
| E | 77,464 3,960,492 (4,267,900) | | |
| | 3,960,492 (4,267,900) | | 1,428 |
| | 3,960,492 (4,267,900) | | 1,428 |
| | (4,267,900) | | - |
| | | | |
| | | | - |
| | (626) | | |
| | (230,570) | | 1,428 |
| | 47,492 | | 523,036 |
| | 1,417,584 | | - |
| | 3,669 | | - |
| \$ | 1,468,745 | \$ | 523,036 |
| | | | |
| | | | |
| \$ | (412,283) | \$ | 192,405 |
| | | | |
| | | | |
| | 315,584 | | - |
| | - | | (1,230) |
| | · · · · · · · · · · · · · · · · · · · | | 1,910 |
| | | | - |
| | | | - |
| | (12,320) | | |
| | (63 995) | | 22,878 |
| | , , , | | 22,070 |
| | | | _ |
| | | | (304,448) |
| | 21,174 | | (614) |
| \$ | 284,999 | \$ | (89,099) |
| | \$ | 1,417,584 3,669 \$ 1,468,745 \$ (412,283) \$ 315,584 355,270 34 11,845 (12,326) (63,995) (8,727) 6,139 72,284 21,174 | \$ 1,417,584 3,669 \$ 1,468,745 \$ (412,283) \$ 315,584 - 355,270 34 11,845 (12,326) (63,995) (8,727) 6,139 72,284 21,174 |

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS

GOVERNMENTAL ACTIVITIES

| STATE LOTTERY | OTHER ENTERPRISE | TOTALS | | TERNAL ICE FUNDS |
|--------------------------------|--------------------------------------|---|---|------------------------------|
| 493 - - | 15,260 61,970 (2,347) | 94,645 4,022,462 (4,270,247) | | 41 - - |
| (149) | 505 | (270) | | 52 |
| 344 | 75,388 | (153,410) | , | 93 |
| (5,205) | 54,118 | 619,441 | | 5,841 |
| 39,200 | 259,668 | 1,716,452 | | 20,344 |
| - | 42,814 | 46,483 | | - |
| \$ 33,995 | \$ 356,600 | \$ 2,382,376 | ; | \$ 26,185 |
| \$ 122,241 | \$ 80,244 | \$ (17,393) | | \$ 3,875 |
| 1,049 | 14,521 | 331,154 | | 16,138 |
| - | (8,518) | (9,748) | | - |
| - | 43,540 | 400,720 | | 477 |
| 30 | 2,260 250 | 2,294 12,125 | | 11 7 |
| - | (13,917) | (26,243) | | 161 |
| (313) 205 (558) 1,984 | (47,571) 383 (4,482) 31,676 | (89,001) (8,139) 1,099 (198,504) | | 610 (168) 874 2,786 |
| (9,668) | 5,867 | 16,759 | | (359) |
| \$ 114,970 | \$ 104,253 | \$ 415,123 | | \$ 24,412 |
| - - - 35 - | 372 - - - - | 5,337 98,960 24,245 12,169 34,017 | | 2,167 - - - |
| - | 4,062 | 13,742 | | 10,208 |
| - | - | 1,148 6,812 | | - |
| | | | | |

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2012

| (DOLLARS IN THOUSANDS) | BE | SION AND ENEFIT RUST | | PRIVATE PURPOSE TRUST | AGENCY |
|--|----|----------------------------|----|-----------------------------|-----------------|
| ASSETS: | | | | | |
| Current Assets: | | | | | |
| Cash and Pooled Cash | \$ | 47,784 | \$ | 120,785 | \$ 946,969 |
| Investments | | - | | - | 1,906 |
| Taxes Receivable, net | | - | | - | 125,025 |
| Other Receivables, net | | 426 | | 8,589 | 384 |
| Due From Other Governments | | 1 | | - | - |
| Due From Other Funds | | 21,628 | | 4,546 | 9,933 |
| Inventories | | - | | - | 3 |
| Noncurrent Assets: | | | | | |
| Government Securities | | - | | 16,859 | - |
| Repurchase Agreements | | - | | 899 | - |
| Mutual Funds | | - | | 4,262,002 | - |
| Other Investments | | - | | 45,646 | - |
| Other Long-Term Assets | | - | | - | 13,736 |
| TOTAL ASSETS | | 69,839 | | 4,459,326 | \$ 1,097,956 |
| LIABILITIES: | | | | | |
| Current Liabilities: | | | | | |
| Tax Refunds Payable | | - | | - | 4,238 |
| Accounts Payable and Accrued Liabilities | | 15,298 | | 8,113 | 1,063 |
| Due To Other Governments | | - | | - | 221,676 |
| Due To Other Funds | | - | | 17 | 37 |
| Deferred Revenue | | - | | 6,080 | - |
| Claims and Judgments Payable | | 13,695 | | - | 631 |
| Other Current Liabilities | | - | | - | 826,089 |
| Noncurrent Liabilities: | | | | | |
| Deposits Held In Custody For Others | | - | | 2,534 | 38,493 |
| Accrued Compensated Absences | | 37 | | - | - 700 |
| Other Long-Term Liabilities | - | - | | - | 5,729 |
| TOTAL LIABILITIES | | 29,030 | - | 16,744 | \$ 1,097,956 |
| NET POSITION: | | | | | |
| Held in Trust for: | | | | | |
| Pension/Benefit Plan Participants | | 33,830 | | | |
| Individuals, Organizations, and Other Entities | | - | | 4,442,582 | |
| Unrestricted | | - 6,979 | | -,742,302 | |
| | | | | | |
| TOTAL NET POSITION | \$ | 40,809 | \$ | 4,442,582 | |

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS FOR THE YEAR ENDED JUNE 30, 2012

| (DOLLARS IN THOUSANDS) | PENSION AND BENEFIT TRUST | PRIVATE PURPOSE TRUST |
|--|---------------------------------|-----------------------------|
| ADDITIONS: | | |
| Additions By Participants | \$ - | \$ 825,131 |
| Member Contributions | 86,426 | - |
| Employer Contributions | 212,903 | - |
| Investment Income/(Loss) | 1,051 | 135,522 |
| Employee Participation Fees | 1,515 | - |
| Unclaimed Property Receipts | - | 32,510 |
| Other Additions | 7,768 | 2,981 |
| Transfers-In | 1,128 | <u> </u> |
| TOTAL ADDITIONS | 310,791 | 996,144 |
| DEDUCTIONS: | | |
| Distributions to Participants | - | 263,069 |
| Health Insurance Premiums Paid | 136,010 | - |
| Health Insurance Claims Paid | 130,402 | - |
| Other Benefits Plan Expense | 20,215 | - |
| Payments in Accordance with Trust Agreements | - | 465,027 |
| Other Deductions | 17,441 | - |
| Transfers-Out | 210 | 104 |
| TOTAL DEDUCTIONS | 304,278 | 728,200 |
| CHANGE IN NET POSITION | 6,513 | 267,944 |
| NET POSITION - FISCAL YEAR BEGINNING | 34,296 | 4,174,638 |
| NET POSITION - FISCAL YEAR ENDING | \$ 40,809 | \$ 4,442,582 |

STATEMENT OF NET POSITION COMPONENT UNITS JUNE 30, 2012

| (DOLLARS IN THOUSANDS) | UNIVERSITY OF COLORADO HOSPITAL AUTHORITY | COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY | UNIVERSITY OF COLORADO FOUNDATION | |
|--|--|--|--|--|
| ASSETS: | | | | |
| Current Assets: | | | | |
| Cash and Pooled Cash | \$ 26,793 | \$ 122,103 | \$ 14,348 | |
| Investments | - | <u>-</u> | - | |
| Restricted Securities Not Held for Investment | - | 27,492 | - | |
| Contributions Receivable, net | - | | 29,299 | |
| Other Receivables, net | 103,308 | 86,912 | 84 | |
| Due From Other Governments | - | 1,667 | - | |
| Inventories | 17,069 | - | - | |
| Prepaids, Advances, and Deferred Charges | 10,085 | <u> </u> | 85 | |
| Total Current Assets | 157,255 | 238,174 | 43,816 | |
| loncurrent Assets: | | | | |
| Restricted Cash and Pooled Cash | - | 115,981 | - | |
| Restricted Investments | 207,202 | 289,524 | - | |
| Restricted Receivables | 17,834 | 4,503 | - | |
| Restricted Securities Not Held for Investment | - | 18,996 | - | |
| Investments | 685,357 | - | 1,159,997 | |
| Contributions Receivable, net | - | - | 23,368 | |
| Net Pension Asset | 6,800 | - | - | |
| Other Long-Term Assets | 11,463 | 1,227,819 | - | |
| Depreciable Capital Assets and Infrastructure, net | 556,507 | 43 | 2,537 | |
| Land and Nondepreciable Infrastructure | 29,901 | <u> </u> | <u> </u> | |
| Total Noncurrent Assets | 1,515,064 | 1,656,866 | 1,185,902 | |
| OTAL ASSETS | 1,672,319 | 1,895,040 | 1,229,718 | |
| Current Liabilities: Accounts Payable and Accrued Liabilities Due To Other Governments | 76,377 - | 18,397 1,335 | 10,264 | |
| Deferred Revenue | - | 515 | 396 | |
| Compensated Absences Payable | 17,902 | - | - | |
| Claims and Judgments Payable | - | - | - | |
| Leases Payable | - | - | 700 | |
| Notes, Bonds, and COPs Payable | 13,295 | 60,205 | - | |
| Other Current Liabilities | 17,457 | 154,514 | 10,795 | |
| Total Current Liabilities | 125,031 | 234,966 | 22,155 | |
| Noncurrent Liabilities: | | | | |
| Deposits Held In Custody For Others | - | - | 242,268 | |
| Capital Lease Payable | - | - | 2,032 | |
| Notes, Bonds, and COPs Payable | 702,365 | 1,040,369 | - | |
| Other Long-Term Liabilities | 22,957 | 30,367 | 18,798 | |
| Total Noncurrent Liabilities | 725,322 | 1,070,736 | 263,098 | |
| OTAL LIABILITIES | 850,353 | 1,305,702 | 285,253 | |
| TOTAL LIABILITIES | 030,333 | 1,303,702 | 203,233 | |
| NET POSITION: | | | | |
| Net investment in Capital Assets: | 74,975 | 43 | (196) | |
| Restricted for: | | | | |
| Emergencies | - | = | <u>-</u> | |
| Expendable | - | - | 549,066 | |
| Nonexpendable | - | - | 322,524 | |
| Other Purposes | 18,220 | 521,058 | - | |
| Inrestricted | 728,771 | 68,237 | 73,071 | |
| TOTAL NET POSITION | \$ 821,966 | \$ 589,338 | \$ 944,465 | |

| COLORADO STATE UNIVERSITY | COLORADO SCHOOL OF MINES | OTHER COMPONENT | |
|---------------------------------|--------------------------------|--------------------|----------------------|
| FOUNDATION | FOUNDATION | UNITS | TOTAL |
| | | | |
| \$ 491 | \$ 6,050 | \$ 66,673 | \$ 236,458 |
| - | - | 81,495 | 81,495 |
| - | - | - | 27,492 |
| 6,331 | 1,876 2,836 | 4,150 1,951 | 41,656 |
| - | 2,030 | 1,851 403 | 194,991 2,070 |
| - | - | - | 17,069 |
| 162 | - | - | 10,332 |
| 6,984 | 10,762 | 154,572 | 611,563 |
| | | | |
| - | 146 | 15,364 | 131,491 |
| - | - | - | 496,726 22,337 |
| - | - | - | 18,996 |
| 296,900 | 216,272 | 24,538 | 2,383,064 |
| 22,681 | 9,375 | - | 55,424 |
| - 513 | - 281 | - 15 400 | 6,800 1 255 574 |
| 17 | 216 | 15,498 119,255 | 1,255,574 678,575 |
| - | - | 33,855 | 63,756 |
| 320,111 | 226,290 | 208,510 | 5,112,743 |
| | | 2/2 222 | · |
| 327,095 | 237,052 | 363,082 | 5,724,306 |
| 951 | 1,968 | 6,746 | 114,703 |
| - | - | - | 1,335 |
| - | - | 10,380 | 11,291 |
| - | - | - 22 200 | 17,902 |
| - | - | 23,309 | 23,309 700 |
| - | - | 306 | 73,806 |
| - | - | 170 | 182,936 |
| 951 | 1,968 | 40,911 | 425,982 |
| | | | |
| 12,245 | 15,448 | - | 269,961 |
| - | - | - E4 0/4 | 2,032 |
| - 885 | 10,306 | 54,961 27,224 | 1,797,695 110,537 |
| 13,130 | 25,754 | 82,185 | 2,180,225 |
| 13,130 | 25,754 | 02,103 | 2,100,223 |
| 14,081 | 27,722 | 123,096 | 2,606,207 |
| | | | |
| | | | |
| 17 | 216 | 138,341 | 213,396 |
| _ | _ | 29 | 29 |
| - 148,167 | - 47,267 | - | 744,500 |
| 133,333 | 138,287 | - | 594,144 |
| - 21 407 | - 22.5/0 | 68,551 | 607,829 |
| 31,497 | 23,560 | 33,065 | 958,201 |
| \$ 313,014 | \$ 209,330 | \$ 239,986 | \$ 3,118,099 |

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2012

| (DOLLARS IN THOUSANDS) | UNIVERSITY OF COLORADO HOSPITAL AUTHORITY | COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY | UNIVERSITY OF COLORADO FOUNDATION |
|---|--|--|--|
| OPERATING REVENUES: | | | |
| Fees | \$ - | \$ 50,891 | \$ 5,100 |
| Sales of Goods and Services | 826,814 | - | - |
| Investment Income (Loss) | - | 13,623 | - |
| Rental Income | - | - | - |
| Gifts and Donations | - | - | 107,232 |
| Federal Grants and Contracts | - | 6,509 | - |
| Other | 20,750 | 65 | 943 |
| TOTAL OPERATING REVENUES | 847,564 | 71,088 | 113,275 |
| OPERATING EXPENSES: | | | |
| Salaries and Fringe Benefits | 332,597 | 1,264 | - |
| Operating and Travel | 181,457 | 18,012 | 22,109 |
| Cost of Goods Sold | 162,407 | · - | - |
| Depreciation and Amortization | 44,228 | 14 | - |
| Debt Service | - | 54,176 | - |
| Foundation Program Distributions | | - | 98,402 |
| TOTAL OPERATING EXPENSES | 720,689 | 73,466 | 120,511 |
| OPERATING INCOME (LOSS) | 126,875 | (2,378) | (7,236) |
| NONOPERATING REVENUES AND (EXPENSES): | | | |
| Investment Income (Loss) | 91,470 | - | 125,332 |
| Gifts and Donations | - | - | - |
| Gain/(Loss) on Sale or Impairment of Capital Assets | (28) | - | - |
| Debt Service | (23,519) | - | - |
| Other Expenses | (900) | - | - |
| Other Revenues | - | - | - |
| TOTAL NONOPERATING REVENUES (EXPENSES) | 67,023 | - | 125,332 |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | 193,898 | (2,378) | 118,096 |
| CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS: | | | |
| CONTRIBUTIONS, TRANSPERS, AND OTHER ITEMS. Capital Contributions | 5,181 | 24,561 | - |
| TOTAL CONTRIBUTIONS AND TRANSFERS | 5,181 | 24,561 | |
| | | | - |
| CHANGE IN NET POSITION | 199,079 | 22,183 | 118,096 |
| NET POSITION - FISCAL YEAR BEGINNING | 622,887 | 567,155 | 826,369 |
| NET POSITION - FISCAL YEAR ENDING | \$ 821,966 | \$ 589,338 | \$ 944,465 |

| O F OTHER COMPONENT N UNITS TOTA | TOTAL |
|---|-----------|
| - \$ 101,746 \$ 15 | 157,737 |
| 82 | 826,814 |
| - 4,824 1 | 18,447 |
| - 948 | 948 |
| 90 - 16 | 161,815 |
| • | 9,440 |
| 98 - 2 | 22,076 |
| 38 110,449 1,19 | 1,197,277 |
| | |
| 33 | 333,861 |
| | 356,597 |
| | 162,407 |
| - 4,207 4 | 48,449 |
| | 54,176 |
| 30 - 14 | 145,667 |
| 32 134,068 1,10 | 1,101,157 |
| 94) (23,619) 9 | 96,120 |
| 50 1,768 30 | 307,056 |
| | 9,243 |
| | (28) |
| (2 | (23,519 |
| | (3,077 |
| - 36,016 3 | 36,016 |
| 50 44,850 32 | 325,691 |
| 56 21,231 42 | 421,811 |
| | , , , - |
| 2 | 29,742 |
| - 2 | 29,742 |
| 56 21,231 45 | 451,553 |
| 74 218,754 2,66 | 2,666,545 |
| 30 \$ 239,986 \$ 3,11 | 3,118,099 |

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - COMPONENT UNITS RECAST TO THE STATEMENT OF ACTIVITIES FORMAT FOR THE YEAR ENDED JUNE 30, 2012

| (DOLLARS IN THOUSANDS) | Statement of Revenues, Expenses, and Changes in Net Assets Totals | Statement of Activities Treatment | Statement of Activities Amounts |
|--|--|---|---|
| OPERATING REVENUES: Fees Sales of Goods and Services Investment Income (Loss) Rental Income Gifts and Donations Federal Grants and Contracts Other TOTAL OPERATING REVENUES | \$ 157,738 826,814 18,447 948 161,815 9,440 22,076 | Charges for Services Charges for Services Unrestricted Investment Earnings Charges for Services Operating Grants & Contributions Operating Grants & Contributions Charges for Services Operating Grants & Contributions | \$ 157,738 826,814 18,447 948 161,815 9,440 20,815 1,261 |
| OPERATING EXPENSES: Salaries and Fringe Benefits Operating and Travel Cost of Goods Sold Depreciation and Amortization Debt Service Foundation Program Distributions TOTAL OPERATING EXPENSES OPERATING INCOME (LOSS) | 333,861 356,597 162,407 48,449 54,176 145,667 1,101,157 | Expenses Expenses Expenses Expenses Expenses Expenses Expenses | 333,861 356,597 162,407 48,449 54,176 145,667 |
| NONOPERATING REVENUES AND (EXPENSES): Investment Income (Loss) Gifts and Donations Gain/(Loss) on Sale or Impairment of Capital Assets Debt Service Other Expenses Other Revenues TOTAL NONOPERATING REVENUES (EXPENSES) | 307,056 9,243 (28) (23,519) (3,077) 36,016 | Unrestricted Investment Earnings Operating Grants & Contributions Payment from State Operating Grants & Contributions Expenses Expenses Payment from State Capital Grants & Contributions Sales and Use Tax | 156,709 150,347 9,243 (28) (23,519) (3,077) 34,694 1,299 |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | 421,812 | | |
| CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS: Capital Contributions | 29,742 | Operating Grants & Contributions Capital Grants & Contributions | 28,174 1,568 |
| TOTAL CONTRIBUTIONS AND TRANSFERS | 29,742 | | |
| CHANGE IN NET POSITION | 451,554 | | 451,554 |
| NET POSITION - FISCAL YEAR BEGINNING NET POSITION - FISCAL YEAR ENDING | 2,666,545 \$ 3,118,099 | | 2,666,545 \$ 3,118,099 |

NOTES TO THE FINANCIAL STATEMENTS

NOTES 1 Through 7 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

During Fiscal Year 2011-12, the State implemented GASB Statement No. 61 – The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34, Statement No. 63 – Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position, and Statement No. 64 – Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment to GASB Statement No. 53.

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

NOTE 1 – GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

NOTE 2 – REPORTING ENTITY

For financial reporting purposes, the State of Colorado's primary government includes all funds of the State, its three branches of government, departments, agencies, and statefunded 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. $14 - \frac{\text{The Financial Reporting Entity}}{\text{CASB}}$, as amended by GASB Statement No. 61. 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 and there exists a financial benefit or burden relationship with the State. Entities that do not meet the specific criteria for inclusion may still be included if it would be misleading to exclude them. Under GASB Statement No. 39, individually significant legally separate tax-exempt organizations are included as component units if their resources are for the direct benefit of the State and the State can access those resources.

The following entities qualify as discretely presented component units:

University of Colorado Hospital Authority
Colorado Water Resources and Power
Development Authority
University of Colorado Foundation
Colorado State University Foundation
Colorado School of Mines Foundation
Other Component Units (Nonmajor)
Denver Metropolitan Major League Baseball
Stadium District
CoverColorado
Colorado Venture Capital Authority
HLC @ Metro, Inc.

The table on the following page contains the primary factors for the inclusion of the non-foundation component units in the State's reporting entity:

| Component Unit | | | |
|---|---|--|--|
| (Non Foundation) | Board Appointment | Ability to Impose Will | Finanical Benefit/Burden Relationship |
| | | The level of indigent care services and | |
| | | the delivery of mental health serivces | |
| University of | Appointment by the State through the | through the University of Colorado's | Asset transfer and cost-based services |
| Colorado Hospital | Board of Regents of the University of | physchiatric hospital is dictated by the | provisions exist between the Authority and |
| Authority | Colorado, with consent of the Senate. | State. | the University of Colorado. |
| Colorado Water Resources and Power Development Authority | Appointment by the Governor, with consent of the the Senate. | Water projects are subject to General Assembly authorization. | The Authority can enter into agreements in name of the State, while the State is required to develop project use plans for the Authority at no cost. The State may also appropriate funds inorder for the Authority to meet its debt service requirements. |
| | | | |
| Denver Metropolitan | | | |
| Major League | Appointment by the Governor, with | Board members serve at the pleasure of | |
| Stadium District | consent of the the Senate. | the Governor. | None. |
| CoverColorado | Appointment by the Governor, with consent of the the Senate. | None. | The State provides annual funding CoverColorado through the Unclaimed Property program. |
| Venture Capital | Appointment by the Governor or | Bond issuance is contingent on | The Authority was capitalized based general- |
| Authority | legislature. | legislative approval. | purpose revenue tax credits. |
| | Appointment by the State through the Metropolitan State University of | The Board of Trustees of the Metropolitan State University of Denver controls and supervises the | Metro State University of Denver has |
| HLC @ Metro, Inc. | Denver Board of Trustees. | board of HLC @ Meto, Inc. | guaranteed the debt of HLC @ Metro, Inc. |

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

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

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

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

University of Colorado Foundation 4740 Walnut Street Boulder, Colorado 80301

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

Colorado School of Mines Foundation, Inc. P. O. Box 4005 Golden, Colorado 80402-4005

Denver Metropolitan Major League Baseball Stadium District 2001 Blake Street Denver, Colorado 80205 CoverColorado 425 South Cherry Street, Suite 160 Glendale, Colorado 80246

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

HLC @ Metro, Inc. 1512 Larimer St., Suite 800 Denver, CO 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 Statements No. 39 and 61:

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

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

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

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

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

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

The government-wide financial statements focus on the government as a whole. The *Statement of Net Position* 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 Position presents the financial position of the government. The net position section of the statement focuses on whether assets, and deferred outflows of resources net of related liabilities, have been restricted as to the purpose for which they may be used. When an external party or the State Constitution places a restriction on the use of certain assets, those assets, net of related liabilities, are reported in the Net Position line items shown as Restricted. The nature of an asset may also result in a restriction on asset use. The line item Net Investment in Capital Assets, comprises capital assets (net of depreciation) reduced by the outstanding balance of bonds, mortgages, notes, Certificates of Participation, or other borrowings that were used to finance the acquisition, construction, or improvement of the capital asset. The State does not report restrictions of net position 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 Position as part of the governmental activities.

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

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

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

Interfund transactions, such as federal and State grants moving between State agencies, have been eliminated from the government-wide statements to the extent that they occur within either the governmental or business-type activities, except as follows. In order not to misstate the sales revenue and purchasing expenses of individual functions or business-type activities, the effects of interfund services provided and used have not been eliminated.

Balances between governmental and business-type activities are presented as internal balances and are eliminated in the total column. Internal Service Fund activity has been eliminated by allocating the net revenue/expense of the Internal Service Fund to the function originally charged for the internal sale.

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

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

NOTE 4 – BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

Primary Government

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

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

The State's major funds report the following activities:

GOVERNMENTAL FUND TYPE:

General Fund

Transactions that are not related to specific revenue streams for dedicated purposes for services traditionally provided by State government are accounted for in the General Fund. The General Fund contains Special Purpose Funds that include the State Public School, Risk Management, and Other Special Purpose Funds. Resources obtained from federal grants that support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements. As a result of comingled current and cumulative general-purpose and special-purpose revenue in the General Fund, combining statements detailing the components of the General Fund are included as supplementary information. The statements segregate activities funded with general-purpose revenue in order to demonstrate compliance with the legal definition of the General Fund, which is referred to as the General Purpose Revenue Fund.

Resource Extraction

This fund accounts for receipts from severance taxes, mineral leasing, and fees associated with regulation of mining activities. Expenditures include distributions to local governments, regulatory costs, and loans to special districts and local governments for water projects.

Highway Users Tax Fund

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

Capital Projects Fund

Transactions related to resources obtained and used for acquisition, construction, or improvement of State owned facilities and certain equipment are accounted for in the Capital Projects Fund unless the activity occurs in a proprietary fund or in certain instances when the activity is incidental to a cash fund. A combining statement of the components of the Capital Projects Fund is presented as supplementary information to segregate regular (primarily general-funded) and special (primarily cash-funded) capital construction.

State Education Fund

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

PROPRIETARY FUND TYPE:

Higher Education Institutions

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

<u>Unemployment Insurance</u>

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

Lottery

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

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

GOVERNMENTAL FUND TYPE (NONMAJOR):

General Fund

The General Fund and its components are classified as a major fund in the basic financial statements. Because of the requirement to separately identify activity related to general-purpose revenues for legal compliance purposes, the general-purpose revenue activity and the special-purpose revenue activities are shown in a combining statement detailing the components of the General Fund. As a result, the General Fund activity is presented similar to major and nonmajor funds. The general-purpose activity is presented in the General Purpose Revenue Fund, while the special-purpose revenue activities include the Public School Fund, the Risk Management Fund, and the Other Special Purpose Fund.

Capital Projects

The Capital Projects Fund and its components are classified as a major fund in the basic financial statements. The components are necessary to support the calculation of resources available for future appropriation. In order to demonstrate legal compliance, the Regular Capital Projects, which is primarily funded from general-purpose revenue, and Special Capital Projects Fund, which is primarily funded with dedicated revenues, are presented similar to nonmajor funds.

Special Revenue Funds

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

Debt Service Fund

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

Permanent Funds

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

PROPRIETARY FUND TYPE (NONMAJOR):

Enterprise Funds

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

Internal Service Funds

The State uses Internal Service Funds to account for sales of goods and services, primarily to internal customers, on a cost reimbursement basis. The major fund concept does not apply to Internal Service Funds. The State's Internal Service Funds reported in supplementary information include Central Services, Information Technology Services, Capitol Complex, Highways, Public Safety, Administrative Courts, and Other Enterprise Services. 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 Position*, and they are included in the *Statement of Activities* through an allocation of their net revenue/expense back to the programs originally charged for the goods or services.

FIDUCIARY FUND TYPE:

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

Pension and Benefit Trust Funds

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

Private Purpose Trust Funds

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

Agency Funds

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

PRESENTATION OF INTERNAL BALANCES

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

FUNCTIONAL PRESENTATION OF EXPENDITURES

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

General Government

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

Business, Community, and Consumer Affairs

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

Education

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

Health and Rehabilitation

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

Justice

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

Natural Resources

Department of Natural Resources

Social Assistance

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

Transportation

Department of Transportation

Component Units

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

The Colorado Water Resources and Power Development Authority is engaged only in business-type activities, and it uses proprietary fund accounting for its operations. The authority's financial information is presented as of December 31, 2011.

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, uses proprietary fund accounting in preparation of its financial statements, while CoverColorado and the Venture Capital Authority, both nonmajor component units, 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 June 30, 2011.

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

NOTE 5 - BASIS OF ACCOUNTING

Primary Government

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

FUND-LEVEL FINANCIAL STATEMENTS

Governmental Funds

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

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

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

Expenditures are recognized in governmental funds when:

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

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

Proprietary and Fiduciary Funds

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

Component Units

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

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

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

A. CASH AND POOLED CASH

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

B. RECEIVABLES

Component Units

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

C. INVENTORY

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

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

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

D. INVESTMENTS

Primary Government

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

Component Units

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

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

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

E. CAPITAL ASSETS

Primary Government

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

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

(Amounts in Dollars)

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

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

(Amounts in Years)

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

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

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

Component Units

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

F. DEFERRED REVENUE

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

G. ACCRUED COMPENSATED ABSENCES LIABILITY

Primary Government

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

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

In accordance with GASB Interpretation No. 6, compensated absence liabilities related to the governmental funds are recognized as liabilities of the fund only to the extent that they are due and payable at June 30. For all other fund

types, both current and long-term portions are recorded as individual fund liabilities. On the government-wide *Statement of Net Position*, all compensated absence liabilities are reported.

Component Units

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

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

H. INSURANCE

The State has an agreement with Broadspire to act as the third party administrator for the State's self-insured workers' compensation claims. The State reimbursed Broadspire for the current cost of claims paid and related administrative expenses. Actuarially determined liabilities are accrued for claims to be paid in future years.

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

I. NET POSITION AND FUND BALANCES

In the financial statements, assets and deferred outflow of resources 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 Position, the proprietary funds' Statement of Net Position, and the fiduciary funds' Statement of Fiduciary Net Position, net position is segregated into restricted and unrestricted balances. Restrictions are limitations on how the net position may be used. Restrictions may be placed on net position by the external party that provided the resources, by the State Constitution, or by the nature of the asset (such as, in the case of capital assets).

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

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

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

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

Restricted for Unemployment Insurance – The entire net position balance of the Unemployment Insurance Fund is reported as restricted because federal regulations limit nearly all the balance to paying unemployment insurance claims.

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

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

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

<u>Restricted for Other Purposes</u> – The State operates certain funds that were established at the direction of federal government, the courts, the State Constitution, or other external parties. The most significant purposes include:

- Settlements in various funds that have been directed by the courts for specific uses in environmental remediation and consumer protection cases.
- Gaming activities pursuant to Article XVIII, Section 9
 of the State Constitution restricted to provide an
 operating reserve, for historic preservation purposes,
 and for distribution to support local and State
 community colleges.
- Federal moneys held for mining reclamation, housing programs, scholarship trusts, and remaining funds from the Jobs and Growth Tax Relief Act of 2003.
- Aviation Fund moneys collected pursuant to Article X, Section 18 of the State Constitution.
- Lottery proceeds for parks and outdoor projects as directed by Article XXVII of the State Constitution.
- Tobacco taxes for health related programs pursuant to Article X, Section 21 of the State Constitution.

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

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

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

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

Spendable fund balance classifications include:

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

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

In addition to restrictions on the government-wide Statement of Net Position, the Balance Sheet-Governmental Funds includes restrictions for other financing arrangements under which the proceeds are restricted to the purpose of the issuance. There are unspent proceeds related to:

- energy efficiency projects in the Department of Corrections, in the General Purpose Revenue Fund,
- public school construction under the Building Excellent Schools Today (BEST) program, in the Special Purpose General Fund,
- the Ralph L. Carr Justice Complex, in the Special Capital Projects Fund, and
- the Colorado History Center, in the Special Capital Projects Fund.

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

In the General Purpose Revenue Fund the Committed category represents the requirement in Colorado Revised Statutes 24-75-201.1(d) to reserve four percent of General Purpose Revenue Fund appropriations. C.R.S. 24-75-201.5(1)(a) further requires the Governor to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. Historically, the legislature has acted to reduce the four percent reserve when revenues were projected to be inadequate to fund appropriations and the reserve. In the 2009 session, the General Assembly passed legislation reducing the required reserve to two percent of General Purpose Revenue Fund appropriations for Fiscal Year 2009-10, and in the 2011 session partially restored the reserve to 2.3 percent for Fiscal Year 2010-11. In Fiscal Year 2011-12, the reserve was restored to four percent. The reserve is applicable for both GAAP and budget basis purposes. The 4.0 percent statutory reserve of \$281.1 million is reported as committed fund balance.

A portion of the Committed fund balance represents the current fiscal year appropriation that the legislature expressly encumbered by directing a rollforward to allow for availability in the subsequent fiscal year.

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

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

Assigned – This classification represents the portion of the fund balance related to certain Fiscal Year 2011-12 appropriations that were encumbered for goods and services that were not received before June 30 due to extenuating circumstances. These balances were approved by the Colorado State Controller in accordance with Fiscal Rule 7-3 for use in supporting the receipt of the related goods and services in Fiscal Year 2012-13.

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

J. RESTATEMENT OF BEGINNING BALANCES

The Governmental Accounting Standards Board issues statements for financial reporting to improve the usefulness of financial information, provide consistency across entities, clarify existing provisions, and in response to changing conditions in the financial environment. When standards impact the presentation of net position, or components thereof, the resulting change is not reflected as current operating activity, but rather as an accounting change presented as a restatement of beginning balances. The implementation of GASB Statement No. 61 in Fiscal Year 2011-12 impacted legally separate entities that comprise the State's reporting entity. As a result the following entities are no longer presented as part of the reporting entity of the State of Colorado:

- University of Northern Colorado Foundation
- University of Colorado Real Estate Foundation
- Renewable Energy Authority
- Higher Education Competitive Research Authority
- Statewide Internet Portal Authority

NOTE 7 – ACCOUNTING POLICIES AFFECTING REVENUES, EXPENDITURES/EXPENSES

A. PROGRAM REVENUES

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

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

B. INDIRECT COST ALLOCATION

The State allocates indirect costs on the government-wide *Statement of Activities*. In general, the allocation reduces costs shown in the general government functions and increases costs in the other functions and business-type activities. The allocation is based on the Statewide Appropriations/Cash Fees Plan that is derived from the Statewide Indirect Cost Allocation Plan the federal government that was approved during Fiscal Year 2011-12. The Statewide Appropriations/Cash Fees Plan includes indirect costs not chargeable to federal sources, including the majority of the Governor's Office.

The Plan uses costs from Fiscal Year 2008-09 that were incorporated in State agency budgets in Fiscal Year 11-12. The allocation of costs between the governmental activities and business-type activities would normally result in an adjustment of internal balances on the government-wide *Statement of Net Position*. However, since the amount allocated from the governmental activities to the business-type activities is small, an offsetting adjustment is made to the Transfers line item at the bottom of the *Statement of Activities*.

Included in the allocation of indirect costs reported on the *Statement of Activities* is \$269.6 thousand of central service agency costs for Fiscal Year 2011-12 related to the American Recovery and Reinvestment Act (ARRA). The President's Office of Management and Budget authorized the State to collect a three-year estimate of the ARRA costs from ARRA grants. The State collected the three-year estimate in Fiscal Year 2008-09 in the General Purpose Revenue Fund where the unexpended portion is included as Committed Fund Balance. Based on a three-year appropriation, the moneys not expended at the end of Fiscal Year 2011-12 will be returned to the State agency from which it was collected for use in a similar non-ARRA federal program, pending approval of the Division of Cost Allocation.

C. OPERATING REVENUES AND EXPENSES

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

In general this definition provides consistency between operating income on the *Statement of Revenues, Expenses, and Changes in Net Position* 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 Position* 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 Position but are reported as cash from operations on the Statement of Cash Flows.

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

NOTE 8 - STEWARDSHIP, ACCOUNTABILITY, AND LEGAL COMPLIANCE

A. OVEREXPENDITURES

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. In the General Purpose Revenue Fund and Regular Capital Projects Fund, if earned cash revenues plus available reserved fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general-funded general-funded expenditures. If expenditures exceed the general-funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Absent general-funded appropriations, agencies are not allowed to general-purpose revenue to support 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 117. Differences noted between departmental reversions or overexpended amounts on the budgetary schedules and the overexpended amounts discussed below are due to offsetting underexpended line item appropriations.

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

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

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

Total overexpenditures at June 30, 2012, were \$2,661,534 as described in the following paragraphs.

Approved Medicaid Overexpenditures:

- Medicaid Mental Health Capitation Payments The Department of Health Care Policy and Financing overexpended this line item by \$20,159 of cash funds. The costs related to the 'Adults Without Dependent Children' population, and the 'Expansion Adults to 100% Federal Poverty Level' population increased due to unanticipated caseloads. Increased per capita costs for Breast & Cervical Cancer Prevention cash-funded clients added to the overexpenditure in this line item. Statute prohibits using General Purpose Revenue Fund resources for these populations.
- Health Care Expansion Fund The Department of Health Care Policy and Financing overexpended its annotated cash fund spending authority from this fund by \$1,161,741. Revenues from the Health Care Expansion Fund earned in excess of estimated amounts were transferred to support cash-funded appropriations for Medical Services Premiums recorded in the General Purpose Revenue Fund. The spending authority in the cash fund is not appropriated, but rather it is based on the source of funds annotated in the cash-funded appropriation in the General Purpose Revenue Fund. As a result of this transfer in excess of the annotation, the general-funded appropriation in General Purpose Revenue Fund was not overexpended.
- Nursing Facility Provider Fee Cash Fund The Department of Public Health and Environment overexpended this line item by \$812,370 of cash funds. The forecast for expenditure from this cash fund is based on a model using the nursing facility provider fees of the prior fiscal year. Actual receipts varied from the estimate and several facilities required additional adjustments to expenditures related to Administrative Law Judge rulings and audit findings. In adjusting those facilities' expenditures, the Department's expenditure exceeded the forecast from which the appropriation was derived.

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

<u>Charter School Institute (CSI)</u> – The Department of Education overexpended this line item by \$230,200 of cash funds. In Fiscal Year 2011-12, CSI's enrollment increased by 33.3 percent with the addition of four schools. CSI's categorical funding increased significantly due to student counts for the Exceptional Child Education Act, Gifted and Talented, and English Language Proficiency Act. In addition, CSI schools have been awarded some competitive grants and have carry-over

amounts from the previous fiscal year. Resulting revenues were sufficient to cover the overexpenditure.

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

Department of Higher Education – CollegeInvest – Colorado Prepaid Postsecondary Education Expense

Trust Fund – Operating – CollegeInvest overexpended this line item by \$437,064. The overexpenditure occurred because of unrealized losses due to changes in market conditions in the bond investment portfolio, which uses a bond laddering strategy designed to match bond investment cash flows with projected participant withdrawals. CollegeInvest expects to hold the bond investments to maturity, and therefore, it does not anticipate realizing any of these currently recognized unrealized losses.

The deferral of Medicaid expenditures and revenues for budget purposes only is authorized in CRS 25.5-8-108(5). However, those expenditures are recognized in the current fiscal year for financial statement presentation under Generally Accepted Accounting Principles (GAAP). The recognition of those expenditures on the GAAP basis resulted in fund balance deficits. Because the budget deferral that caused the GAAP deficit fund balance is in compliance with statute, no restriction of Fiscal Year 2012-13 spending authority is recommended. The following cash funds were in deficit fund balance position as a result of this Medicaid activity as of June 30, 2012:

 Department of Health Care Policy and Financing Healthcare Expansion Fund - \$2,369,921 Medicaid Buy-In Cash Fund - \$5,167

The General Fund Surplus Schedule (page 125) shows a negative reversion of \$6.1 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 \$8.3 million of excess expenditures of the Old Age Pension program, which is continuously appropriated in the appropriations act. The Department does not record additional continuously appropriated spending authority for the excess expenditure so that the General Fund Surplus Schedule and the General Fund Reversions 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 Office of the State Controller.

B. TAX, SPENDING, AND DEBT LIMITATIONS

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

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

In the 2005 general election, voters approved Referendum C - a statutory measure referred to the ballot by the Legislature that authorized the State to retain revenues in excess of the limit for the five Fiscal Years 2005-06 through 2009-10. With the end of the Referendum C five-year excess revenue retention period, the State is subject to an Excess State Revenue Cap (ESRC) starting in Fiscal Year 2010-11. Calculation of the original TABOR limit continues to apply, but the ESRC replaces the previous TABOR limit for triggering taxpayer refunds. The basis for the ESRC is the highest adjusted TABOR revenue during the five-year period which occurred in Fiscal Year 2007-08 and resulted in a Fiscal Year 2011-12 ESRC of \$10.87 billion. TABOR revenue was below the ESRC by \$602.4 million, and over the TABOR limit by \$\$1,469.1 million. As a result of the ESRC replacing the TABOR limit as the trigger point for refunds, refunds of \$\$1,469.1 million that would have occurred related to Fiscal Year 2011-12 under the TABOR limit are not required. Since the inception of Referendum C in Fiscal Year 2005-06 the State has retained \$5.8 billion, \$3.6 billion during the initial five year revenue retention period, and an additional \$2.2 billion as a result of the higher ESRC limit in Fiscal Years 2010-11 and 2011-12.

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

TABOR requires the State to reserve three percent of fiscal year nonexempt revenues for emergencies. In Fiscal Year 2011-12 that amount was \$308,073,100.

At June 30, 2012, the financial net position of the following funds were applied to the reserve, up to the limits set in the Long Appropriations Act:

- Major Medical Fund, a portion of the nonmajor Labor Fund – \$72,850,000. The \$92,500,000 designation by the Legislature has been reduced by \$19,650,000 because that amount was transferred out of the TABOR emergency reserve to the Disaster Emergency Fund per the Governor's Executive Orders. (See additional information at the end of this Note 8B).
- Wildlife Cash Fund, a portion of the nonmajor Wildlife Enterprise Fund \$100,000,000. The Wildlife Cash Fund's net position not invested in capital assets (net of related debt) totals \$10,004,375, and that amount is shown as restricted for emergencies on the *Combining Statement of Net Position*. The remaining \$89,995,625 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 \$50,292,833 of cash and receivables that are reported as restricted.
- The Unclaimed Property Tourism Promotion Trust Fund, a portion of the nonmajor Private Purpose Trust Fund - \$1,500,000
- The 2011 legislative session Long Appropriations Act designated up to \$100,000,000 of State properties as the remainder of the emergency reserve.

The estimate of the needed reserve was based on the December 2011 revenue estimate prepared by the Legislative Council. Because the revenues subject to the TABOR reserve requirement were more than estimated, the amount designated for the reserve was \$14,073,100 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 2011-12, under the direction of the Governor's Executive Orders, the State transferred \$19.7 million from the Major Medical Fund portion of the TABOR emergency reserve to the Disaster Emergency Fund to pay the costs related to the following emergencies:

- High Park Fire- \$12.0 million
- Hewlett Fire \$3.0 million
- Duckett Fire \$1.9 million
- Track Fire \$1.5 million
- Shell Fire Complex \$1.1 million
- Navajo Fire \$0.2 million

NOTE 9 Through 17 – DETAILS OF ASSET ITEMS

NOTE 9 – CASH AND POOLED CASH

Primary Government

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

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

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

Including restricted amounts and fiduciary funds, the Cash and Pooled Cash line on the financial statements includes \$6,595.6 million (\$6,602.5 million at amortized cost) of claims of the State's funds on moneys in the Treasurer's pooled cash.

At June 30, 2012, the treasurer had invested \$6,541.7 million (fair value) of the pool and held \$40.8 million of demand deposits and certificates of deposit.

At June 30, 2012, the State had an accounting system cash deposit balance of \$882.3 million, which includes the \$40.8 million held as demand deposits and certificates of deposit in the Treasurer's pool.

Under the GASB Statement No. 40 definitions, \$22.3 million of the State's total bank balance of \$898.6 million was exposed to custodial credit risk because the deposits were uninsured and the related collateral was held by the pledging institution or was held by the pledging institution's trust department or agent, but not in the State's name.

Component Units

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

The Colorado Water Resources and Power Development Authority had cash deposits with a bank balance of \$541,485 at December 31, 2011, of which \$250,000 was federally insured and \$8,900 was collateralized with securities held by the pledging institution in a collateral pool, but not in the authority's name. An additional \$282,585 was collateralized with securities held by the pledging institution's trust department or agent, but not in the authority's name. The authority also reported as cash and cash equivalents \$58.4 million held by the State Treasurer in a Treasurer's Agency Fund, \$172.8 million held in the COLOTRUST and \$6.3 million held in the Colorado Surplus Asset Fund Trust (CSAFE). Both trusts are investment pools for local government that qualify as 2a7-like investment pools, where each share is maintained at \$1.00. These trusts are not evidenced by securities, and therefore, they are not subject to custodial risk classification. Both the COLOTRUST and CSAFE have a credit quality rating of AAA, while cash held by the State Treasurer is not rated for credit quality.

At December 31, 2011, the Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, had cash deposits of \$2.2 million held by two banks paying interest at varying rates. All of the district's cash and cash equivalents are maintained with two Denver banks resulting in a concentration of credit risk. However, the collateralized amounts were in compliance with the Public Deposit Protection Act discussed above.

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

NOTE 10 – NONCASH TRANSACTIONS IN THE PROPRIETARY FUND TYPES

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

- Capital Assets Funded by the Capital Projects Fund Most capital construction projects funded by general—purpose revenues are accounted for in the Capital Projects Fund. Several of the State's enterprise and internal service funds receive capital assets funded and accounted for in this manner. These funds record Capital Contributions when the asset is received, and no cash transaction is reported on the Statement of Cash Flows. Certain State agencies are authorized to move general revenue cash of the Capital Projects Fund to the enterprise or internal service fund for capital projects; when this occurs, a cash transaction is reported on the Statement of Cash Flows.
- Donations or Grants of Capital Assets Capital assets received as donations or directly as grants are reported as capital contributions, and no cash transaction is reported on the *Statement of Cash Flows*. Although no cash is received, these transactions change the capital asset balances reported on the *Statement of Net Position;* therefore, they are reported as noncash transactions.

- Realized/Unrealized Gain/(Loss) on Investments Nearly all proprietary funds record unrealized gains or losses on the investments underlying the Treasurer's pooled cash in which they participate. The unrealized gains or losses on the Treasurer's pool are shown as increases or decreases, respectively, in cash balances. The unrealized gains or losses on investments not held in the Treasurer's pooled cash result in increases or decreases in investment balances, and therefore, are reported as noncash transactions. The unrealized gain/loss schedule in Note 14 shows the combined effect of these two sources of unrealized gains or losses. Additionally, this line includes realized gains rolled into other investments.
- Loss on Disposal of Capital and Other Assets When the cash received at disposal of a capital or other asset is less than the carrying value of the asset, a loss is recorded. The loss results in a reduction of the amount reported for capital or other assets on the *Statement of Net Position*, 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 Position. Since no cash is received or disbursed in these transactions, they are reported as noncash.
- Assumption of Capital Lease Obligation or Mortgage

 Although no cash is exchanged, entering a capital
 lease or mortgage changes both the capital asset and
 related liability balances reported on the Statement of
 Net Position. Therefore, these transactions are
 reported as noncash.
- Financed Debt Issuance Costs When costs of debt issuance are financed by and removed from the debt proceeds, the State reports a noncash transaction.
- Fair Value Change in Derivative Instrument When the State enters into a derivative instrument that qualifies as a hedge and has reported a deferred inflow or deferred outflow, the *Statement of Net Position* also includes a real account, either asset or liability, that is measured at fair value but does not represent a current cash transaction.

NOTE 11 – RECEIVABLES

Primary Government

The Taxes Receivable of \$1,171.5 million shown on the government-wide *Statement of Net Position* primarily comprises the following:

- \$933.2 million, mainly of self-assessed income and sales tax recorded in the General Purpose Revenue Fund. This amount is after the removal of \$262.7 million of taxes receivable expected to be collected after one year and reported as an Other Long-Term Asset (rather than Taxes Receivable) on the government-wide Statement of Net Position. These long-term receivables are offset by deferred revenue on the Balance Sheet Governmental Funds.
- \$159.3 million of unemployment insurance premiums receivable recorded in the Unemployment Insurance Fund.
- \$41.1 million recorded in the Resource Extraction Fund as severance taxes receivable.
- \$37.8 million recorded in nonmajor special revenue funds, of which, approximately \$10.9 million is from gaming tax, \$11.1 million is insurance premium tax, and \$11.9 million is tobacco tax.

In addition, \$55.5 million of Taxes Receivable, \$34.2 million of Other Receivables, and \$91.9 million of intergovernmental receivables were recorded in the Highway Users Tax Fund. All three items were reported as restricted receivables because the State Constitution and federal requirements restrict that portion of the Highway Users Tax Fund. The tax receivable was primarily fuel taxes while the intergovernmental receivable was primarily due from the federal government.

The Other Receivables of \$489.5 million shown on the government-wide *Statement of Net Position* are net of \$219.0 million in allowance for doubtful accounts and primarily comprise the following:

- \$279.7 million of student and other receivables of Higher Education Institutions.
- \$56.9 million of receivables recorded in the General Fund, of which \$18.4 million is from interest receivable on investments. The Department of Health Care Policy and Financing also recorded receivables of \$27.3 million related primarily to rebates from drug companies and overpayments to healthcare providers, and the Colorado Mental Health Institutes recorded \$4.3 million of patient receivables.
- \$21.7 million recorded by the Resource Extraction Fund.

\$71.3 million of receivables recorded by Other Governmental Funds including \$44.4 million of tobacco settlement revenues expected within the following year, \$5.4 million receivable from the Great Outdoors Colorado program by the Resource Management Fund, and \$7.1 million of rent and royalty receivables recorded by the State Lands Funds.

Component Units

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

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

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

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

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

The Colorado Water Resources and Power Development Authority had loans receivable of \$1.3 billion at December 31, 2011. During 2011, the authority made new loans of \$101.1 million and canceled or received repayments for existing loans of \$94.9 million.

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

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

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

The Venture Capital Authority, a nonmajor component unit, has receivables derived from sales to insurance companies of premium tax credits that were donated by the State of Colorado, which are being recognized over a 10-year period. The VCA's management determined that no allowance was necessary related to the \$16.6 million of accounts receivable from insurance companies that are reported as Contributions Receivable (\$4.1 million) and Other Long-Term Assets (\$12.5 million) on the *Statement of Net Position*. However, the authority tracks collection of

the receivables on an ongoing basis and establishes an allowance as deemed necessary.

NOTE 12 – INVENTORY

Inventories of \$70.4 million shown on the government-wide *Statement of Net Position* at June 30, 2012, primarily comprise:

- \$9.6 million of manufacturing inventories recorded by Correctional Industries, a nonmajor enterprise fund,
- \$32.0 million of resale inventories, of which, Higher Education Institutions recorded \$28.9 million, and
- \$20.6 million of consumable supplies inventories, of which, \$8.7 million was recorded by the Higher Education Institutions, \$8.4 million was recorded by the Highway Users Tax Fund, \$1.9 million by the General Purpose Revenue Fund, and \$1.0 million by Wildlife, a nonmajor enterprise fund.

NOTE 13 – PREPAIDS, ADVANCES, AND DEFERRED CHARGES

Prepaids, Advances, and Deferred Charges of \$78.1 million shown on the government-wide *Statement of Net Position* are primarily general prepaid expenses except for the following individually significant items:

- \$17.4 million advanced to Colorado counties and special districts by the General Purpose Revenue Fund primarily related to social assistance programs.
- \$21.0 million advanced to conservation organizations by the Department of Natural Resources from the Species Conservation Fund, a portion of the Resource Extraction Fund.
- \$8.3 million primarily in Higher Educational Institutions related to cash payments for library subscriptions at Colorado State University.
- \$5.0 million of prize expense paid by the Colorado Lottery to a multistate organization related to participation in the Powerball lottery game.
- \$4.2 million of security deposits in the Department of Labor and Employment.

NOTE 14 – INVESTMENTS

Primary Government

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

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

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

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

The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments in those prior periods. In Fiscal Year 2011-12, the State Treasurer realized gains from the sale of investments held for the Public School Permanent Fund of \$183,036, for the Unclaimed Property Tourism Trust Fund of \$12,037, for the Major Medical Fund of \$23,951, and for the Treasurer's pooled cash of \$368,098.

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2012 and 2011, the treasurer had \$22.9 million and \$30.6 million at fair value, respectively, of GOCO's funds on deposit and invested.

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

As provided by State statute, the State Treasurer held \$6.9 million of investment in residential mortgages by paying the property taxes of certain elderly State citizen homeowners that qualify for the program. The investment is valued based on the outstanding principal and interest currently owed to the State as there is no quoted market price for these investments.

The State Treasurer held Colorado Housing and Finance Authority bonds, a related party, totaling \$8.6 million as of June 30, 2012. See Note 40 for additional details.

The Colorado State University, reported in the Higher Education Institutions Fund, held \$1,012,981 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 \$605,164 of net realized losses from the sale of investments held by State agencies other than the State Treasurer during Fiscal Year 2011-12.

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

(Amounts in Thousands)

| Footnote Amounts | Carrying Amount | | | |
|--|--------------------|------------|--|--|
| Deposits (Note 9) | \$ | 882,286 | | |
| Investments: | | | | |
| Governmental Activities | | 7,553,095 | | |
| Business-Type Activities | | 2,223,675 | | |
| Fiduciary Activities | | 4,325,406 | | |
| Pooled Cash Investments Sold But Not Settled | | 20,000 | | |
| Total | \$ | 15,004,462 | | |
| Financial Statement Amounts | | | | |
| Net Cash and Pooled Cash | \$ | 5,096,306 | | |
| Add: Warrants Payable Included in Cash | | 197,334 | | |
| Total Cash and Pooled Cash | | 5,293,640 | | |
| Add: Restricted Cash | | 2,150,353 | | |
| Add: Restricted Investments | | 886,311 | | |
| Add: Investments | | 6,674,158 | | |
| Total | \$ | 15,004,462 | | |

Custodial Credit Risk

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

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

The *Other* category of the General Fund comprises the issuance trustee's deposit of proceeds from Certificates of Participation issued for local school district capital construction under the Build Excellent Schools Today (BEST) program. The \$283.3 million is reported in the Public School Buildings Fund, a Special Purpose General Fund.

Certain trustees have selected the State Treasurer's pool as their primary investment vehicle. The Treasurer accounts for the trustees' deposits in agency funds, and the investment types and related risks are disclosed through the Treasurer's pool investments. The *Other* category of the Other Governmental funds primarily comprises the issuance trustees' deposit of unexpended proceeds from Certificates of Participation issued for the Ralph L. Carr Justice Complex (\$27.3 million reported in a Special Capital Projects Fund) and the Colorado History Center (\$1.6 million reported in a Special Capital Projects Fund). This category also includes the remaining \$20.9 million of unexpended BEST issuances reported in the Debt Service Fund, an Other Governmental fund.

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

(Amounts in Thousands)

| | Governmental Activities | | | | | | | | |
|----------------------------|-------------------------|-----------|-----------------|-----|-----------------------|---------|----|-----------|--|
| | Treasurer's Pool | | General Fund | | Other Governmental | | | Total | |
| INVESTMENT TYPE | | | | | | | | | |
| U.S. Government Securities | \$ | 4,921,944 | \$ | - | \$ | 143,691 | \$ | 5,065,635 | |
| Commercial Paper | | 134,983 | | - | | - | | 134,983 | |
| Corporate Bonds | | 1,055,964 | | - | | 205,857 | | 1,261,821 | |
| Asset Backed Securities | | 323,118 | | - | | 25,228 | | 348,346 | |
| Mortgages Securities | | 105,698 | 6,8 | 864 | | 289,712 | | 402,274 | |
| Mutual Funds | | - | | - | | 5,131 | | 5,131 | |
| Other | | - | 283,3 | 339 | | 51,566 | | 334,905 | |
| TOTAL INVESTMENTS | \$ | 6,541,707 | \$290,2 | 203 | \$ | 721,185 | \$ | 7,553,095 | |

The following table lists the investments of the major enterprise funds, nonmajor enterprise funds in the aggregate, and fiduciary funds by investment type at fair value. Investment types included in the Other category for Higher Education Institutions primarily consist of: Private Equities (\$36.3 million), Absolute Return Funds (\$42.2 million), Real Estate (\$21.3 million), Venture Capital (\$14.9 million), and the issuance trustee's deposit of proceeds from Certificates of Participation (COPs) issued for Higher Education capital construction (\$9.5 million), and Municipal Bonds (\$8.6 million). The trustee has selected the State Treasurer's pool as its primary The Treasurer accounts for the investment vehicle. trustee's deposit in an agency fund, and the investment types and related risks are disclosed through the Treasurer's pool investments.

The *Other* category of the Other Enterprise funds comprise the Bridge Enterprise trustee's holdings that include unexpended proceeds from the prior year \$284.1 million bond issuance.

The *Other* category of the Fiduciary funds represents a funding agreement with MetLife (\$45.6 million) held by CollegeInvest in its College Savings Plan, a Private Purpose Trust Fund.

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

| (| Amounts | in | Thousands' |
|---|---------|----|------------|
| | | | |

| _ | | Bu | ısiness | -Type Activit | ties | | F | Fiduciary | |
|---|-------------------------------------|------------------------------|---------|--------------------|------|------------------------------|----|------------------------|--|
| | Higher Education Institutions | | | Other terprises | | Total | ı | iduciary | |
| INVESTMENT TYPE U.S. Government Securities Bank Acceptances | \$ | 290,832 4,050 | \$ | 8,081 | \$ | 298,913 4.050 | \$ | 16,859 | |
| Commercial Paper Corporate Bonds | | 2,001 170,356 | | - 15,711 | | 2,001 186,067 | | - | |
| Corporate Securities Repurchase Agreements Asset Backed Securities | | 133,588 199,539 18,235 | | - | | 133,588 199,539 18.235 | | 899 | |
| Mortgages Securities Mutual Funds | | 109,780 811,692 | | - 18,235 | | 18,235 109,780 829,927 | | 4,262,002 | |
| Guaranteed Investment Contracts Other | | 3,342 154,144 | | 284,089 | | 3,342 438,233 | | - 45,646 | |
| TOTAL INVESTMENTS | \$ | 1,897,559 | \$ | 326,116 | \$ | 2,223,675 | \$ | 4,325,406 | |
| INVESTMENTS SUBJECT TO CUSTODIAL RISK U.S. Government Securities | \$ | 353 | \$ | | \$ | 353 | \$ | 3,559 | |
| Corporate Bonds Corporate Securities | Ф | 2,075 10,063 | Φ | - - | Þ | 2,075 10,063 | Φ | 3,559 - - 899 | |
| Repurchase Agreements Mortgages Securities | | 2 | | - | | 2 | | 899 | |
| TOTAL SUBJECT TO CUSTODIAL RISK | \$ | 12,493 | \$ | - | \$ | 12,493 | \$ | 4,458 | |

Credit Quality Risk

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

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

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

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

- CollegeInvest held a funding agreement valued at \$45.6 million in its College Savings Plan, a Private Purpose Trust Fund that was unrated as to credit quality risk.
- The trustees for the Higher Education Institutions Lease Purchase Financing Program, Building Excellent Schools Today (BEST) program, Ralph L. Carr Justice Complex, and the Colorado History Center issued Certificates of Participation and selected the State Treasurer's cash and investment pool as their primary investment vehicle. The trustees for the Department of Transportation's Bridge Enterprise bonds also selected the State Treasurer's cash and investment pool as their primary investment vehicle. The pool has not been separately rated and includes \$342.6 million from these sources. See interest rate risk disclosure section for additional information on the pool.

| | | | | | | | (Amounts | In Th | housands) | | | | | | | | | | |
|---------------------------------------|-------|------------------------|----|--------------------|----|-------------------|----------------------|-------|-------------------------------|----|------------------------------------|----|-------------------------|-----|--------------------------------|----|---------------------------|----|----------------------|
| | _ | U.S. Govt. Agencies | Co | ommercial Paper | С | orporate Bonds | ourchase reements | | Asset Backed Securities | | Money Market Mutual Funds | | Bond Mutual Funds | Inv | aranteed estment ontract | Во | nicipal nds & ither | | Total |
| Treasurer's Pool: | | | | | | | | | | | | | | | | | | | |
| Long-term Ratings | _ | | | | _ | | | _ | | _ | | _ | | _ | | _ | | _ | |
| Gilt Edge High Grade | \$ | 1,251,070 | \$ | - | \$ | 40,857 440,459 | \$ - | \$ | 323,118 105,698 | \$ | - | \$ | - | \$ | - | \$ | - | \$ | 363,975 1.797.227 |
| High Grade Upper Medium | | 1,251,070 | | - | | 562,561 | - | | 105,698 | | - | | - | | - | | - | | 1,797,227 562,561 |
| Lower Medium | | - | | | | | - | | - | | - | | - | | - | | | | |
| Very Speculative | | - | | - | | 12,086 | - | | - | | - | | - | | - | | - | | 12,086 |
| Short-term Ratings | | - | | - | | - | - | | - | | - | | - | | - | | - | | - |
| Highest | | 2,951,329 | | 134,983 | | _ | _ | | _ | | _ | | | | _ | | _ | | 3,086,312 |
| riigiiest | | 2,731,327 | | 134,703 | | | | | | | | | | | | | | | 3,000,312 |
| Higher Education Ins | titut | ions: | | | | | | | | | | | | | | | | | |
| Long-term Ratings | | | | | | | | | | | | | | | | | | | |
| Gilt Edge | \$ | 2,146 | \$ | - | \$ | 4,139 | \$ - | \$ | 16,893 | \$ | 220,153 | \$ | 442 | \$ | - | \$ | 8,153 | \$ | 251,926 |
| High Grade | | 92,016 | | - | | 32,690 | - | | 6,277 | | - | | 70 | | - | | - | | 131,053 |
| Upper Medium | | 3,628 | | - | | 90,528 | - | | 6,299 | | - | | 51 | | - | | 375 | | 100,881 |
| Lower Medium | | - | | - | | 37,152 | - | | 2,319 | | - | | 38 | | - | | - | | 39,509 |
| Speculative | | - | | - | | 1,659 | - | | 795 | | - | | 19 | | - | | - | | 2,473 |
| Very Speculative | | - | | - | | 85 | - | | 2,101 | | - | | 6 | | - | | - | | 2,192 |
| High Default Risk | | - | | - | | - | - | | 5,107 | | - | | 13 | | - | | - | | 5,120 |
| Default | | - | | - | | - | - | | 1,252 | | - | | - | | - | | - | | 1,252 |
| Short-term Ratings | | | | | | | | | | | | | | | | | | | |
| Highest | | - | | 2,001 | | 49 | - | | - | | - | | - | | - | | - | | 6,100 |
| Unrated | | 32,814 | | - | | 2,217 | 199,539 | | 86,093 | | 44,142 | | 138,421 | | - | | 1,019 | | 504,245 |
| Fiduciary Funds: Long-term Ratings | | | | | | | | | | | | | | | | | | | |
| Gilt Edge | \$ | - | \$ | - | \$ | - | \$ 899 | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | \$ | 899 |
| High Grade | | 6,419 | | - | | - | - | | - | | - | | - | | - | | - | | 6,419 |
| Unrated | | - | | - | | - | - | | - | | 4,262,002 | | - | | - | | - | | 4,262,002 |
| All Other Funds: Long-term Ratings | | | | | | | | | | | | | | | | | | | |
| Gilt Edge | \$ | - | \$ | - | \$ | 13,328 | \$ - | \$ | 25,228 | \$ | 2,195 | \$ | - | \$ | - | \$ | - | \$ | 40,751 |
| High Grade | | 80,111 | | - | | 105,362 | - | | 281,100 | | - | | 3,520 | | 3,383 | | - | | 473,476 |
| Upper Medium | | - | | - | | 83,555 | - | | - | | - | | - | | - | | - | | 83,555 |
| Lower Medium | | - | | - | | 16,489 | - | | - | | - | | - | | - | | - | | 16,489 |
| Unrated | | - | | - | | - | - | | 15,476 | | 14,152 | | - | | - | | - | | 29,628 |

Interest Rate Risk

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

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

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

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

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

The following table shows the weighted average maturity and fair value amount for those investments managed using the weighted average maturity measure. The 12.961-year weighted average maturity reported in the Fiduciary Funds represents the Lottery's laddering of U.S. Government bonds to match a prize annuity. The Lottery plans to hold these investments to maturity.

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

| | Treasure Pool | r's | Higher Education Institutions | | | | Fiduciar Funds | у | All Other Funds | | |
|---|-------------------------|---------------------------------|-------------------------------------|-------------------------|---------------------------------|----|-------------------------|---------------------------------|-----------------------|-------------------------|---------------------------------|
| Investment Type | Fair Value Amount | Weighted Average Maturity | | Fair Value Amount | Weighted Average Maturity | | Fair Value Amount | Weighted Average Maturity | | Fair Value Amount | Weighted Average Maturity |
| U.S. Government Securities Bank Acceptances | \$ 4,921,944 | 0.803 | \$ | 63,612 4,050 | 4.892 | \$ | 12,674,943 | 12.961 | \$ | 151,772 | 3.961 |
| Commercial Paper | 134,983 | 0.090 | | 2,001 | 0.497 | | _ | - | | _ | _ |
| Corporate Bonds | 1,055,964 | 3.252 | | 52,860 | 2.860 | | - | - | | 219,768 | 6.179 |
| Asset Backed Securities | 428,816 | 2.379 | | 3,576 | 4.160 | | - | - | | 314,941 | 3.561 |
| Municipal Bonds | - | - | | - | - | | - | - | | 3,383 | 12.460 |
| Total Investments | \$ 6,541,707 | | \$ | 126,099 | | \$ | 12,674,943 | | \$ | 689,864 | |

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 \$199,539,173 to provide temporary investment of funds restricted for capital construction projects. The counterparty to the agreements is required to provide additional collateral when the fair value of U.S. Government securities and U.S. Government agencies securities provided as collateral declines below 104 percent or 105 percent, respectively. As a

result, the university does not have interest rate risk associated with these agreements. The \$199.5 million is not shown in the following duration table; however, the duration associated with the repurchase agreements is 1.5 years.

The University of Colorado has invested \$24,076,495 in U.S. Treasury Inflation Protected Securities with duration of 1.9 years. The interest rate risk of this investment is effectively mitigated by the inflation protection attribute of the investment, and therefore, it is excluded from the weighted average maturity table above and the following duration table.

Trustees, separate of the State, issued Certificates of Participation that had remaining balances on deposit with the State Treasurer for the Higher Education Institutions Lease Purchase Financing Program (\$9.5 million reported in the Higher Education Institutions Fund), the Building Excellent Schools Today (BEST) program (\$283.3 million primarily reported in the Public School Buildings Fund, a Special Purpose General Fund), the Ralph L. Carr Justice Complex (\$27.3 million reported in a Special Capital Projects Fund), and the Colorado History Center (\$1.6 million reported in a Special Capital Projects Fund). The Treasurer also held deposits of the Department of

Transportation's Bridge Enterprise trustees' notes and bonds (\$284.1 million reported in the Transportation Enterprise, a nonmajor enterprise fund). In each instance the trustees selected the State Treasurer's pool as their primary investment vehicle. The trustees' investment in the pool is not segregated, but is a share in the overall pool. See above for interest rate risk affecting the pool.

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

(Dollar Amounts in Thousands, Duration in Years)

| Part | | Fair | |
|--|---------------------------------------|-------------|----------|
| Enterprise Funds: Higher Education Institutions: University of Colorado: U.S. Treasury Bonds and Notes U.S. Treasury Strips U.S. Government Agency Notes U.S. Government Agency Strips U.S. Government Saving Bonds University: U.S. Government Securities U.S. Governm | | Value | 5 |
| Higher Education Institutions: University of Colorado: U.S. Treasury Bonds and Notes | | Amount | Duration |
| University of Colorado: U.S. Treasury Bonds and Notes U.S. Treasury Strips U.S. Government Agency Notes U.S. Government Agency Strips U.S. Government Agency Strips U.S. Government Agency Strips U.S. Government Saving Bonds U.S. Government Securities U.S. Government Secu | Enterprise Funds: | | |
| U.S. Treasury Bonds and Notes \$ 69,465 6.330 U.S. Treasury Strips 979 2.100 U.S. Government Agency Notes 127,329 5.440 U.S. Government Agency Strips 2,420 1.520 U.S. Government Saving Bonds 54 9.990 Municipal Bonds 85,835 8.270 Corporate Bonds 114,854 6.200 Certificates of Deposit 963 4.640 Asset Backed Securities 123,558 14.370 Bond Mutual Funds 138,421 2.100 Colorado State University: Bond Mutual Funds \$ 640 2.800 Colorado Mesa University: U.S. Government Securities \$ 880 3.990 Corporate Bonds 770 5.391 Bond Mutual Funds 156 4.300 Taxable Municipal Bonds \$ 117 10.870 Private Purpose Trust: CollegeInvest: 80 3.6,988 5.100 Bond Mutual Fund-1 \$ 85,109 3.900 Bond Mutual Fund-2 36,988 5.100 Bond Mutual F | Higher Education Institutions: | | |
| U.S. Treasury Strips 979 2.100 U.S. Government Agency Notes 127,329 5.440 U.S. Government Agency Strips 2,420 1.520 U.S. Government Saving Bonds 54 9,990 Municipal Bonds 85,835 8.270 Corporate Bonds 114,854 6.200 Certificates of Deposit 963 4.640 Asset Backed Securities 123,558 14.370 Bond Mutual Funds 138,421 2.100 Colorado State University: Bond Mutual Funds \$ 640 2.800 Colorado School of Mines: Corporate Bonds \$ 1,872 4.740 Colorado Mesa University: U.S. Government Securities \$ 880 3.990 Corporate Bonds 770 5.391 Bond Mutual Funds 156 4.300 Taxable Municipal Bonds \$ 117 10.870 Private Purpose Trust: CollegeInvest: 865,109 3.900 Bond Mutual Fund-1 \$ 85,109 3.900 Bond Mutual Fund-2 36,988 5.100 | University of Colorado: | | |
| U.S. Government Agency Notes 127,329 5.440 U.S. Government Agency Strips 2,420 1.520 U.S. Government Saving Bonds 54 9,990 Municipal Bonds 85,835 8.270 Corporate Bonds 114,854 6.200 Certificates of Deposit 963 4.640 Asset Backed Securities 123,558 14.370 Bond Mutual Funds 138,421 2.100 Colorado State University: Bond Mutual Funds \$ 640 2.800 Colorado School of Mines: Corporate Bonds \$ 1,872 4.740 Colorado Mesa University: U.S. Government Securities \$ 880 3.990 Corporate Bonds 770 5.391 Bond Mutual Funds 156 4.300 Taxable Municipal Bonds \$ 117 10.870 Private Purpose Trust: CollegeInvest: 85,109 3.900 Bond Mutual Fund-1 \$ 85,109 3.900 Bond Mutual Fund-2 36,988 5.100 Bond Mutual Fund-3 501,595 5.100 | 3 | | |
| U.S. Government Agency Strips 2,420 1.520 U.S. Government Saving Bonds 54 9.990 Municipal Bonds 85,835 8.270 Corporate Bonds 114,854 6.200 Certificates of Deposit 963 4.640 Asset Backed Securities 123,558 14.370 Bond Mutual Funds 138,421 2.100 Colorado State University: Bond Mutual Funds \$ 640 2.800 Colorado School of Mines: Corporate Bonds \$ 1,872 4.740 Colorado Mesa University: U.S. Government Securities \$ 880 3.990 Corporate Bonds 770 5.391 Bond Mutual Funds \$ 156 4.300 Taxable Municipal Bonds \$ 117 10.870 Private Purpose Trust: CollegeInvest: 8 5 100 Bond Mutual Fund-1 \$ 85,109 3.900 Bond Mutual Fund-2 36,988 5.100 Bond Mutual Fund-3 501,595 5.100 Bond Mutual Fund-4 520,779 4.800 | , | | |
| U.S. Government Saving Bonds 54 9.990 Municipal Bonds 85,835 8.270 Corporate Bonds 114,854 6.200 Certificates of Deposit 963 4.640 Asset Backed Securities 123,558 14.370 Bond Mutual Funds 138,421 2.100 Colorado State University: Bond Mutual Funds \$ 640 2.800 Colorado School of Mines: Corporate Bonds \$ 1,872 4.740 Colorado Mesa University: U.S. Government Securities \$ 880 3.990 Corporate Bonds 770 5.391 Bond Mutual Funds 156 4.300 Taxable Municipal Bonds \$ 117 10.870 Private Purpose Trust: CollegeInvest: 8 5.109 Bond Mutual Fund-1 \$ 85,109 3.900 Bond Mutual Fund-2 36,988 5.100 Bond Mutual Fund-3 501,595 5.100 Bond Mutual Fund-4 520,779 4.800 Bond Mutual Fund-5 266,688 1.700 < | 9 3 | · | |
| Municipal Bonds 85,835 8.270 Corporate Bonds 114,854 6.200 Certificates of Deposit 963 4.640 Asset Backed Securities 123,558 14.370 Bond Mutual Funds 138,421 2.100 Colorado State University: Bond Mutual Funds \$ 640 2.800 Colorado School of Mines: Corporate Bonds \$ 1,872 4.740 Colorado Mesa University: U.S. Government Securities \$ 880 3.990 Corporate Bonds 770 5.391 Bond Mutual Funds 156 4.300 Taxable Municipal Bonds \$ 117 10.870 Private Purpose Trust: CollegeInvest: 8 5.109 Bond Mutual Fund-1 \$ 85,109 3.900 Bond Mutual Fund-2 36,988 5.100 Bond Mutual Fund-3 501,595 5.100 Bond Mutual Fund-4 520,779 4.800 Bond Mutual Fund-5 266,688 1.700 Bond Mutual Fund-6 1,641 2.750 Bond | | • | |
| Corporate Bonds 114,854 6.200 Certificates of Deposit 963 4.640 Asset Backed Securities 123,558 14.370 Bond Mutual Funds 138,421 2.100 Colorado State University: Bond Mutual Funds \$ 640 2.800 Colorado School of Mines: Corporate Bonds \$ 1,872 4.740 Colorado Mesa University: U.S. Government Securities \$ 880 3.990 Corporate Bonds 770 5.391 Bond Mutual Funds 156 4.300 Taxable Municipal Bonds \$ 117 10.870 Private Purpose Trust: CollegeInvest: \$ 85,109 3.900 Bond Mutual Fund-1 \$ 85,109 3.900 Bond Mutual Fund-2 36,988 5.100 Bond Mutual Fund-3 501,595 5.100 Bond Mutual Fund-4 520,779 4.800 Bond Mutual Fund-5 266,688 1.700 Bond Mutual Fund-6 1,641 2.750 Bond Mutual Fund-7 2,016 12.750 </td <td>· · · · · · · · · · · · · · · · · · ·</td> <td></td> <td></td> | · · · · · · · · · · · · · · · · · · · | | |
| Certificates of Deposit 963 4.640 Asset Backed Securities 123,558 14.370 Bond Mutual Funds 138,421 2.100 Colorado State University: *** *** Bond Mutual Funds \$ 640 2.800 Colorado School of Mines: *** *** Corporate Bonds \$ 1,872 4.740 Colorado Mesa University: *** *** U.S. Government Securities \$ 880 3.990 Corporate Bonds 770 5.391 Bond Mutual Funds 156 4.300 Taxable Municipal Bonds \$ 117 10.870 Private Purpose Trust: ** ** CollegeInvest: ** ** Bond Mutual Fund-1 \$ 85,109 3.900 Bond Mutual Fund-2 36,988 5.100 Bond Mutual Fund-3 501,595 5.100 Bond Mutual Fund-4 520,779 4.800 Bond Mutual Fund-5 266,688 1.700 Bond Mutual Fund-6 1,641 2.750 | • | · | |
| Asset Backed Securities 123,558 14.370 Bond Mutual Funds 138,421 2.100 Colorado State University: Bond Mutual Funds \$ 640 2.800 Colorado School of Mines: Corporate Bonds \$ 1,872 4.740 Colorado Mesa University: U.S. Government Securities \$ 880 3.990 Corporate Bonds 770 5.391 Bond Mutual Funds 156 4.300 Taxable Municipal Bonds \$ 117 10.870 Private Purpose Trust: CollegeInvest: Bond Mutual Fund-1 \$ 85,109 3.900 Bond Mutual Fund-2 36,988 5.100 Bond Mutual Fund-3 501,595 5.100 Bond Mutual Fund-4 520,779 4.800 Bond Mutual Fund-5 266,688 1.700 Bond Mutual Fund-5 266,688 1.700 Bond Mutual Fund-5 266,688 1.700 Bond Mutual Fund-6 1,641 2.750 Bond Mutual Fund-7 2,016 12.750 | | | |
| Bond Mutual Funds 138,421 2.100 Colorado State University: Bond Mutual Funds \$ 640 2.800 Colorado School of Mines: Corporate Bonds \$ 1,872 4.740 Colorado Mesa University: U.S. Government Securities \$ 880 3.990 Corporate Bonds 770 5.391 Bond Mutual Funds 156 4.300 Taxable Municipal Bonds \$ 117 10.870 Private Purpose Trust: CollegeInvest: Bond Mutual Fund-1 \$ 85,109 3.900 Bond Mutual Fund-2 36,988 5.100 Bond Mutual Fund-3 501,595 5.100 Bond Mutual Fund-4 520,779 4.800 Bond Mutual Fund-5 266,688 1.700 Bond Mutual Fund-6 1,641 2.750 Bond Mutual Fund-7 2,016 12.750 | • | | |
| Colorado State University: Bond Mutual Funds \$ 640 2.800 Colorado School of Mines: Corporate Bonds \$ 1,872 4.740 Colorado Mesa University: U.S. Government Securities \$ 880 3.990 Corporate Bonds 770 5.391 Bond Mutual Funds 156 4.300 Taxable Municipal Bonds \$ 117 10.870 Private Purpose Trust: CollegeInvest: Bond Mutual Fund-1 \$ 85,109 3.900 Bond Mutual Fund-2 36,988 5.100 Bond Mutual Fund-3 501,595 5.100 Bond Mutual Fund-4 520,779 4.800 Bond Mutual Fund-5 266,688 1.700 Bond Mutual Fund-5 266,688 1.700 Bond Mutual Fund-6 1,641 2.750 Bond Mutual Fund-6 1,641 2.750 Bond Mutual Fund-7 2,016 12.750 | | • | |
| Bond Mutual Funds \$ 640 2.800 Colorado School of Mines: | Bond Mutual Funds | 138,421 | 2.100 |
| Bond Mutual Funds \$ 640 2.800 Colorado School of Mines: | Colorado State University: | | |
| Corporate Bonds \$ 1,872 4.740 Colorado Mesa University: | | \$ 640 | 2.800 |
| Corporate Bonds \$ 1,872 4.740 Colorado Mesa University: | | | |
| Colorado Mesa University: U.S. Government Securities \$ 880 3.990 Corporate Bonds 770 5.391 Bond Mutual Funds 156 4.300 Taxable Municipal Bonds \$ 117 10.870 Private Purpose Trust: CollegeInvest: Send Mutual Fund-1 \$ 85,109 3.900 Bond Mutual Fund-2 36,988 5.100 Bond Mutual Fund-3 501,595 5.100 Bond Mutual Fund-4 520,779 4.800 Bond Mutual Fund-5 266,688 1.700 Bond Mutual Fund-6 1,641 2.750 Bond Mutual Fund-7 2,016 12.750 | Colorado School of Mines: | | |
| U.S. Government Securities \$ 880 3.990 Corporate Bonds 770 5.391 Bond Mutual Funds 156 4.300 Taxable Municipal Bonds \$ 117 10.870 Private Purpose Trust: CollegeInvest: Bond Mutual Fund-1 \$ 85,109 3.900 Bond Mutual Fund-2 36,988 5.100 Bond Mutual Fund-3 501,595 5.100 Bond Mutual Fund-4 520,779 4.800 Bond Mutual Fund-5 266,688 1.700 Bond Mutual Fund-6 1,641 2.750 Bond Mutual Fund-7 2,016 12.750 | Corporate Bonds | \$ 1,872 | 4.740 |
| Corporate Bonds 770 5.391 Bond Mutual Funds 156 4.300 Taxable Municipal Bonds \$ 117 10.870 Private Purpose Trust: CollegeInvest: Bond Mutual Fund-1 \$ 85,109 3.900 Bond Mutual Fund-2 36,988 5.100 Bond Mutual Fund-3 501,595 5.100 Bond Mutual Fund-4 520,779 4.800 Bond Mutual Fund-5 266,688 1.700 Bond Mutual Fund-6 1,641 2.750 Bond Mutual Fund-7 2,016 12.750 | Colorado Mesa University: | | |
| Bond Mutual Funds 156 4.300 Taxable Municipal Bonds \$117 10.870 Private Purpose Trust: CollegeInvest: Bond Mutual Fund-1 \$85,109 3.900 Bond Mutual Fund-2 36,988 5.100 Bond Mutual Fund-3 501,595 5.100 Bond Mutual Fund-4 520,779 4.800 Bond Mutual Fund-5 266,688 1.700 Bond Mutual Fund-5 266,688 1.700 Bond Mutual Fund-6 1,641 2.750 Bond Mutual Fund-7 2,016 12.750 | U.S. Government Securities | \$ 880 | 3.990 |
| Taxable Municipal Bonds \$ 117 10.870 Private Purpose Trust: CollegeInvest: Bond Mutual Fund-1 \$ 85,109 3.900 Bond Mutual Fund-2 36,988 5.100 Bond Mutual Fund-3 501,595 5.100 Bond Mutual Fund-4 520,779 4.800 Bond Mutual Fund-5 266,688 1.700 Bond Mutual Fund-6 1,641 2.750 Bond Mutual Fund-7 2,016 12.750 | Corporate Bonds | 770 | 5.391 |
| Private Purpose Trust: CollegeInvest: Bond Mutual Fund-1 \$ 85,109 3.900 Bond Mutual Fund-2 36,988 5.100 Bond Mutual Fund-3 501,595 5.100 Bond Mutual Fund-4 520,779 4.800 Bond Mutual Fund-5 266,688 1.700 Bond Mutual Fund-6 1,641 2.750 Bond Mutual Fund-7 2,016 12.750 | Bond Mutual Funds | 15 <i>6</i> | 4.300 |
| CollegeInvest: Bond Mutual Fund-1 \$ 85,109 3.900 Bond Mutual Fund-2 36,988 5.100 Bond Mutual Fund-3 501,595 5.100 Bond Mutual Fund-4 520,779 4.800 Bond Mutual Fund-5 266,688 1.700 Bond Mutual Fund-6 1,641 2.750 Bond Mutual Fund-7 2,016 12.750 | Taxable Municipal Bonds | \$ 117 | 10.870 |
| Bond Mutual Fund-1 \$ 85,109 3.900 Bond Mutual Fund-2 36,988 5.100 Bond Mutual Fund-3 501,595 5.100 Bond Mutual Fund-4 520,779 4.800 Bond Mutual Fund-5 266,688 1.700 Bond Mutual Fund-6 1,641 2.750 Bond Mutual Fund-7 2,016 12.750 | Private Purpose Trust: | | |
| Bond Mutual Fund-2 36,988 5.100 Bond Mutual Fund-3 501,595 5.100 Bond Mutual Fund-4 520,779 4.800 Bond Mutual Fund-5 266,688 1.700 Bond Mutual Fund-6 1,641 2.750 Bond Mutual Fund-7 2,016 12.750 | CollegeInvest: | | |
| Bond Mutual Fund-3 501,595 5.100 Bond Mutual Fund-4 520,779 4.800 Bond Mutual Fund-5 266,688 1.700 Bond Mutual Fund-6 1,641 2.750 Bond Mutual Fund-7 2,016 12.750 | Bond Mutual Fund-1 | \$ 85,109 | 3.900 |
| Bond Mutual Fund-4 520,779 4.800 Bond Mutual Fund-5 266,688 1.700 Bond Mutual Fund-6 1,641 2.750 Bond Mutual Fund-7 2,016 12.750 | Bond Mutual Fund-2 | 36,988 | 5.100 |
| Bond Mutual Fund-5 266,688 1.700 Bond Mutual Fund-6 1,641 2.750 Bond Mutual Fund-7 2,016 12.750 | Bond Mutual Fund-3 | 501,595 | 5.100 |
| Bond Mutual Fund-6 1,641 2.750 Bond Mutual Fund-7 2,016 12.750 | Bond Mutual Fund-4 | 520,779 | 4.800 |
| Bond Mutual Fund-7 2,016 12.750 | Bond Mutual Fund-5 | 266,688 | 1.700 |
| , | Bond Mutual Fund-6 | 1,641 | 2.750 |
| Bond Mutual Fund-8 362 7.750 | | · · | |
| | Bond Mutual Fund-8 | 362 | 7.750 |

Foreign Currency Risk

Some of the University of Colorado Treasury's investments are exposed to certain foreign currency risks. The University's investment policy allows but does not require hedging of this risk. The University also held investments in equities denominated in the following currencies (U.S. dollar amounts in millions): Euro Dollar - \$26.6, British Pound - \$25.5, Japanese Yen - \$14.8, Swiss Franc - \$10.5, Brazilian Real - \$5.2, Chinese Yuan - \$6.4, Korean Won - \$3.9, Canadian Dollar - \$4.0, Australian Dollar - \$1.3, Denmark Kroner - \$2.8, and Russian Ruble - \$1.3, Denmark Kroner - \$2.8, Honk-Kong Dollar - \$2.9, Indian Rupee - \$1.1, Mexican Peso - \$2.0, Singapore Dollar - \$1.1, South African Rand - \$3.4, Taiwan Dollar - \$1.6 and various other currencies totaling \$4.3 million within the investment.

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

Concentration of Credit Risk

The State Treasurer's formal investment policy sets minimum and maximum holding percentages for each investment type for the investment pool and for certain of the individual funds for which the State Treasurer manages investments. The pool and each of the individual funds may be 100 percent invested in U.S. Treasury securities with more restrictive limits (ranging from 5 percent to 90 percent) set for the other allowed investment types. For the pool and the other funds for which the Treasurer manages investments, the policy sets maximum concentrations in an individual issuer for certain investment types. As of June 30, 2012, the holding percentages for each investment type for each pool were less than five percent of total investments. As a result the State is not subject to a concentration of credit

Unrealized Gains and Losses

Unrealized gains and losses are a measure of the change in fair value of investments (including investments underlying pooled cash) from the end of the prior fiscal year to the end of the current fiscal year. With the implementation of GASB Statement No. 54, unrealized gains are not identified as a separate component of fund balance. The following schedule shows the State's net unrealized gains and (losses) for all funds by fund category.

(Amounts in Thousands)

| | Fiscal Year 2011-12 | Recast Fiscal Year 2010-11 | | | |
|--|------------------------|----------------------------------|--|--|--|
| Governmental Activities: | | | | | |
| Major Funds | | . () | | | |
| General-General Purpose | \$ 3,739 | \$ (5,437) | | | |
| General-Special Purpose | 268 | (385) | | | |
| Resource Extraction | (140) | (3,335) | | | |
| Highway Users Tax | (1,450) 633 | (6,963) | | | |
| Capital Projects-Regular Capital Projects-Special | (165) | (2,659) | | | |
| State Education | (924) | (79) (3,472) | | | |
| NonMajor Funds: | (724) | (3,472) | | | |
| State Lands | 4,095 | (5,192) | | | |
| Other Permanent Trusts | (12) | (44) | | | |
| Labor | (569) | (331) | | | |
| Gaming | (303) | (1,009) | | | |
| Tobacco Impact Mitigation | (30) | (2,143) | | | |
| Resource Management | (10) | (42) | | | |
| Environment Health Protection | 224 | (1,186) | | | |
| Other Special Revenue | (253) | (193) | | | |
| Unclaimed Property | 3,214 | (1,650) | | | |
| Information Technology | 63 | 140 | | | |
| Highways (Internal Service) | (7) | (12) | | | |
| Administrative Courts | (4) | 17 | | | |
| Other Internal Service | - | 3 | | | |
| Business-Type Activities: | | | | | |
| Major Funds | (04 407) | 05.507 | | | |
| Higher Education Institutions | (21,407) | 95,536 | | | |
| Lottery | (149) | (246) | | | |
| NonMajor Funds: CollegeInvest | 1,154 | 1,834 | | | |
| Parks and Wildlife | (116) | (613) | | | |
| College Assist | (254) | (619) | | | |
| State Fair Authority | (7) | (8) | | | |
| Correctional Industries | (17) | (46) | | | |
| State Nursing Homes | 75 | (42) | | | |
| Prison Canteens | (2) | (86) | | | |
| Petroleum Storage Tank | (41) | (22) | | | |
| Transportation Enterprise | 749 | (272) | | | |
| Other Enterprise Activities | 57 | (47) | | | |
| Fiduciary: | | | | | |
| Pension/Benefits Trust | 323 | (437) | | | |
| Private Purpose Trust | 26,199 | 562,745 | | | |
| | \$ 14,934 | \$ 623,705 | | | |

Component Units

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

Component Units – Non-Foundations

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

(Amounts in Thousands)

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

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

The Colorado Water Resources and Power Development Authority's investments at December 31, 2011, were:

(Amounts in Thousands)

| | rotai |
|----------------------------|---------------|
| INVESTMENT TYPE | <u> </u> |
| U.S. Government Securities | \$ 110,351 |
| Repurchase Agreements | 179,173 |
| TOTAL INVESTMENTS | \$ 289,524 |

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

Credit Quality Risk

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

(Amounts In Thousands)

| | S. Govt. gencies | orporate Bonds | 1 | Asset Backed ecurities | Inve | ranteed estment ntract | Total |
|-------------------|---------------------|-------------------|----|------------------------------|------|------------------------------|--------------|
| | | | | | | | |
| Long-term Ratings | | | | | | | |
| Gilt Edge | \$ 24,606 | \$ 1,171 | \$ | - | \$ | - | \$ 25,777 |
| High Grade | - | 26,580 | | 14,316 | | 854 | 41,750 |
| Upper Medium | - | 36,135 | | - | | - | 36,135 |
| Lower Medium | - | 6,411 | | - | | - | 6,411 |
| Speculative | - | 928 | | - | | - | 928 |
| Unrated | - | 1,161 | | _ | | - | 1,161 |

The Colorado Water Resources and Power Development Authority's repurchase agreements are collateralized with U.S. Treasuries, Government Agencies and obligations explicitly guaranteed by the U.S. Government. All existing repurchase agreements specify a collateralization rate between 103 percent and 105 percent. Government agency securities collateralizing the repurchase agreements are all rated AAA. U.S. Treasuries and obligations guaranteed by the U.S. Government that collateralize the repurchase agreements are exempt from credit risk disclosure under GASB 40, therefore a rating agency assessment.

CoverColorado, a nonmajor component unit, holds bonds of U.S. Government agencies, corporate bonds guaranteed by U.S. Government agencies, and certificates of deposit insured by FDIC. The investments were rated Aaa by Moody's Investors Service at the dates of purchase.

Interest Rate Risk

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

(Dollar Amounts in Thousands, Duration in Years)

F=!= \ /= l...

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

The Colorado Water Resources and Power Development Authority manages interest rate risk by matching investment maturities to the cash flow needs of its future bond debt service and holding those investments to maturity. The authority had \$289.5 million of investments subject to interest rate risk with the following maturities; one year or less – 12 percent, two to five years – 25 percent, six to ten years – 29 percent, eleven to fifteen years – 21 percent, and 16 years or more – 13 percent. The authority has entered into agreements that allow it to sell U.S. Treasury bonds at fixed amounts that will provide the authority with funds to make debt service payments in the event that a borrower fails to make loan payments to the authority.

CoverColorado, a nonmajor component unit, manages interest rate risk by matching investment maturities with the cash flow needs of its operations. The authority had \$81.5 million of investments subject to interest rate risk with the following maturities; one year or less -37 percent, one to two years -58 percent, and two to three years -5 percent.

Foreign Currency Risk

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

Concentration of Credit Risk

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

CoverColorado, a nonmajor component unit, does not limit the amount invested in a single issuer. At December 31, 2011, all of its investments were held by a single issuer and were therefore subject to concentration of credit risk.

Investments Highly Sensitive to Interest Rate Risk

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

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

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

Component Units – Foundations

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

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

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

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

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

NOTE 15 – TREASURER'S INVESTMENT POOL

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

NOTE 16 – OTHER LONG-TERM ASSETS

Primary Government

The \$835.1 million shown as Other Long-Term Assets on the government-wide Statement of Net Position is primarily long-term taxes receivable, long-term loans, and deferred debt issuance costs. Long-term taxes receivable of \$262.7 million and \$55.5 million recorded in the General Purpose Revenue Fund and the Highway Users Tax Fund, respectively, are not segregated on the Balance Sheet – Governmental Fund, but are shown in Taxes Receivable and Restricted Receivables, respectively, and the taxes receivables are offset by Deferred Revenue.

The \$439.0 million of Other Long-Term Assets shown on the fund-level *Balance Sheet – Governmental Funds* is primarily related to loans issued by the Highway Users Tax Fund (\$13.2 million), a major special revenue fund, and the Resource Extraction Fund (\$397.6 million), a major special revenue fund. This balance primarily comprises water loan activity. The Water Conservation Board makes water loans from the Water Projects Fund, part of the Resource Extraction Fund, to local entities for the purpose of constructing water projects in the State.

The water loans are made for periods ranging from 10 to 30 years. Interest rates range from 2 to 6 percent for most projects, and they require the local entities or districts to make a yearly payment of principal and interest.

The \$122.3 million shown as Other Long-term Assets on the Statement of Net Position – Proprietary Funds is primarily student loans issued by Higher Education Institutions, but also includes deferred debt issuance costs and livestock.

Component Units

In 2011 the Colorado Water Resources and Power Development Authority reported \$46.5 million in Securities Not Held for Investment, of which \$27.5 million was short-term and \$19.0 million was long-term. The securities were purchased with Water Revenue Bonds Program 2010 Series A and 2011 Series C bond proceeds, on behalf of governmental agencies that entered into loan agreements with the Authority. The securities mature in alignment with the borrowers' projected construction cost schedule and the borrowers retain the risk of loss related to the value of the securities.

NOTE 17 - CAPITAL ASSETS

Primary Government

During Fiscal Year 2011-12 the State capitalized \$35.8 million of interest incurred during the construction of capital assets. The majority of this interest was capitalized by Institutions of Higher Education in the amount of \$31.6 million, while the remainder was attributable to the Bridge Enterprise Program in the Department of Transportation.

The schedule on the following page shows the capital asset activity for Fiscal Year 2011-12. The restatement of beginning balances was a result of error corrections in the Department of Transportation and the merger of the Division of Parks and Wildlife (See Note 29).

| | (Amounts in Thousands) | | | | |
|---|----------------------------------|----------------------|--------------------|---------------------------|-------------------------|
| | Restated Beginning Balance | Increases | CIP Transfers | Decreases/ Adjustments | Ending Balance |
| GOVERNMENTAL ACTIVITIES: | | | | | |
| Capital Assets Not Being Depreciated: | | | | | |
| Land | \$ 72,895 | \$ 21,215 | \$ - | \$ 181 \$ | 94,291 |
| Land Improvements | 2,381 | - | 2,436 | - | 4,817 |
| Collections Construction in Progress (CIP) | 8,976 | - 669,248 | - (548,006) | (7.450) | 8,979 |
| Infrastructure | 797,818 880,540 | 5 | 17,215 | (7,650) | 911,410 897,760 |
| Total Capital Assets Not Being Depreciated | 1,762,610 | 690,468 | (528,355) | (7,466) | 1,917,257 |
| Capital Assets Being Depreciated: | | | | | |
| Leasehold and Land Improvements | 41,557 | 551 | 1,785 | - | 43,893 |
| Buildings | 1,755,575 | 16,221 | 255,224 | (877) | 2,026,143 |
| Software | 209,760 | 7,592 | 19,075 | (27) | 236,400 |
| Vehicles and Equipment Library Materials and Collections | 635,644 6,436 | 53,996 328 | 359 | (11,493) (97) | 678,506 6,667 |
| Other Capital Assets | 31,047 | 17,040 | - | (988) | 47,099 |
| Infrastructure | 9,913,249 | - | 251,912 | (371) | 10,164,790 |
| Total Capital Assets Being Depreciated | 12,593,268 | 95,728 | 528,355 | (13,853) | 13,203,498 |
| Less Accumulated Depreciation: | | | | | |
| Leasehold and Land Improvements | (24,828) | (1,723) | - | - | (26,551) |
| Buildings | (681,674) | (45,783) | - | 162 | (727,295) |
| Software | (99,405) | (26,178) | - | 17 | (125,566) |
| Vehicles and Equipment | (395,458) | (45,607) | - | 11,284 | (429,781) |
| Library Materials and Collections | (4,258) | (411) | - | 95 | (4,574) |
| Other Capital Assets Infrastructure | (22,746) (1,659,912) | (2,357) (615,877) | - | 333 | (25,103) (2,275,456) |
| Total Accumulated Depreciation | (2,888,281) | (737,936) | | 11,891 | |
| · · · · · · · · · · · · · · · · · · · | | | - | • | (3,614,326) |
| Total Capital Assets Being Depreciated, net TOTAL GOVERNMENTAL ACTIVITIES | 9,704,987 11,467,597 | (642,208) 48,260 | 528,355 | (1,962) (9,428) | 9,589,172 11,506,429 |
| BUSINESS-TYPE ACTIVITIES: | ,, | 10,200 | | (7,123) | , 6 6 6 7 . 2 7 |
| Capital Assets Not Being Depreciated: | | | | | |
| Land | 450,907 | 17,845 | 5,030 | 9,561 | 483,343 |
| Land Improvements | 25,905 | - | - | (9,388) | 16,517 |
| Collections Construction in Progress (CIP) | 19,116 | 1,077 | - (420.077) | (10) | 20,183 |
| Construction in Progress (CIP) Infrastructure | 549,945 1,048 | 579,388 - | (629,977) 1,849 | (2,740) | 496,616 2,897 |
| Total Capital Assets Not Being Depreciated | 1,046,921 | 598,310 | (623,098) | (2,577) | 1,019,556 |
| Capital Assets Being Depreciated: | | | | | |
| Leasehold and Land Improvements | 498,705 | 3,445 | 33,602 | (1,573) | 534,179 |
| Buildings | 5,994,190 | 48,180 | 549,836 | (8,317) | 6,583,889 |
| Software | 108,855 | 48,866 | 259 | (1,568) | 156,412 |
| Vehicles and Equipment Library Materials and Collections | 863,355 | 84,692 | 11,031 | (38,531) | 920,547 |
| Other Capital Assets | 479,309 16,878 | 18,100 1,973 | - | (3,953) | 493,456 18,851 |
| Infrastructure | 70,524 | 1,775 | 28,370 | - | 98,894 |
| Total Capital Assets Being Depreciated | 8,031,816 | 205,256 | 623,098 | (53,942) | 8,806,228 |
| Less Accumulated Depreciation: | | | | | |
| Leasehold and Land Improvements | (248,043) | (21,472) | - | 596 | (268,919) |
| Buildings | (1,983,689) | (196,837) | - | 3,388 | (2,177,138) |
| Software | (44,508) | (18,082) | - | 1,018 | (61,572) |
| Vehicles and Equipment | (619,052) | (71,213) | - | 31,500 | (658,765) |
| Library Materials and Collections Other Capital Assets | (343,480) | (21,135) | - | 3,948 | (360,667) |
| Infrastructure | (569) (24,992) | (142) (2,273) | - | - | (711) (27,265) |
| Total Accumulated Depreciation | (3,264,333) | (331,154) | - | 40,450 | (3,555,037) |
| Total Capital Assets Being Depreciated, net | 4,767,483 | (125,898) | 623,098 | (13,492) | 5,251,191 |
| TOTAL BUSINESS-TYPE ACTIVITIES | 5,814,404 | 472,412 | - | (16,069) | 6,270,747 |
| TOTAL CAPITAL ASSETS, NET | \$ 17,282,001 | \$ 520,672 | \$ - | \$ (25,497) | 17,777,176 |

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

(Amounts in Thousands)

| | preciation Amount |
|---|----------------------|
| GOVERNMENTAL ACTIVITIES: | |
| General Government | \$ 20,052 |
| Business, Community, and Consumer Affairs | 3,916 |
| Education | 5,592 |
| Health and Rehabilitation | 8,944 |
| Justice | 33,581 |
| Natural Resources | 2,400 |
| Social Assistance | 11,843 |
| Transportation | 635,470 |
| Internal Service Funds (Charged to programs and BTAs based on useage) | 16,139 |
| Total Depreciation Expense Governmental Activities | 737,937 |
| BUSINESS-TYPE ACTIVITIES | |
| Higher Education Institutions | 315,583 |
| State Lottery | 1,049 |
| Other Enterprise Funds | 14,522 |
| Total Depreciation Expense Business-Type Activities | 331,154 |
| Total Depreciation Expense Primary Government | \$ 1,069,091 |

Component Units

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

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

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

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, reported land, land improvements, buildings, and other property and equipment of \$139.0 million, net of accumulated

depreciation of \$70.9 million, at December 31, 2011. 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.

On November 23, 2011, the Denver Metropolitan Major League Baseball Stadium District (the District) entered into an Intergovernmental Agreement with the Regional Transportation District (RTD) for the transfer of certain land from the District to RTD for construction of a light rail line connecting Union Station to Denver International Airport. In December 2011 the District received \$15.0 million of deferred revenue from RTD in the form of minimum fee compensation. The final amount of the fee compensation is in dispute. The District believes it is entitled to an additional \$3.2 million plus other costs and professional and legal fees. If a settlement is not reached within 180 days, RTD will proceed with acquiring the land under eminent domain.

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

NOTE 18 Through 27 - DETAILS OF LIABILITY ITEMS

NOTE 18 – PENSION SYSTEM AND OBLIGATIONS

Primary Government

A. PLAN DESCRIPTION

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

Administration of the Plan

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

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

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

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

Defined Retirement Benefits

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

- Hired before July 1, 2005 age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006
 any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between January 1, 2007 and December 31, 2010 any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service. For members with less than five years of service credit as of January 1, 2011 age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.
- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2017 any age with 35 years of service, age 60 with 30 years of service, or age 65 with 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. For members eligible to retire as of January 1, 2011, reduced service benefits are calculated in the same manner as a service retirement benefit; however, the benefit is reduced by percentages that vary from 0.25 to 0.5, depending on age and years of service, for each month before the eligible date for the full service retirement. For members eligible to retire after January 1, 2011, an additional actuarial reduction applies.

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

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

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

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

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

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

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

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

- Hired before July 1, 2005 3.5 percent, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 –
 the lesser of 3 percent or the actual increase in the
 national Consumer Price Index for Urban Wage
 Earners and Clerical Workers (CPI).
- Hired on or after January 1, 2007 the lesser of 3 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent

reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)

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

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

Money Purchase Retirement Benefit

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

Service Requirement and Termination

Plan members who terminate PERA-covered employment may request a member contribution account refund or leave the account with PERA; a refund cancels a former PERA member's rights to future PERA benefits. Members who have 5 years of service and withdraw their accounts before reaching retirement eligibility and before reaching age 65 receive a refund of their contributions, interest on their contributions, plus an additional 50 percent of their contribution and interest. If the withdrawing member has reached age 65 or is retirement eligible, the matching payment increases to 100 percent. Members not having 5 years of service and not eligible for full or reduced retirement receive an employer a matching contribution of one-half of their account balance measured at January 1. 2011. Contributions after January 1, 2011, are not eligible for the additional 50 percent match until the member earns five years of service credit. Statutes authorize the PERA Board to set the interest paid to member contribution accounts but limits the rate to a maximum of 5 percent. Effective January 1, 2009, the rate was set at 3 percent and remained at the rate through June 30,2012.

Disability and Survivor Benefits

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

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

B. FUNDING POLICY

Members and employers are required to contribute to PERA at a rate set by statute. The contribution requirements of plan members and affiliated employers are established under Title 24, Article 51, Part 4 of the Colorado Revised Statutes as amended. Members are required to contribute 10.5 percent of their gross covered wages, except for State troopers and Colorado Bureau of Investigation officers, who contribute 12.5 percent. Prior to July 1, 2010, and beginning July 1, 2012, the member and State Trooper and Colorado Bureau of Investigation officers rate was and will be 8.0 and 10.0 percent, respectively. Annual gross covered wages subject to PERA are gross earnings less any reduction in pay to offset employer contributions to the State sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code.

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

| | Statutorily Required | | | Percent of |
|---------------------|----------------------|----------|-------|------------|
| Time | Contribut | SRC | | |
| Period | Judges | Troopers | Other | Paid |
| Fiscal Year 2011-12 | | | | |
| 1-1-12 to 6-30-12 | 14.86 | 15.85 | 13.15 | 100 |
| 7-1-11 to 12-31-11 | 14.86 | 14.95 | 12.25 | 100 |
| Fiscal Year 2010-11 | | | | |
| 1-1-11 to 6-30-11 | 14.86 | 14.95 | 12.25 | 100 |
| 7-1-10 to 12-31-10 | 14.86 | 14.05 | 11.35 | 100 |
| Fiscal Year 2009-10 | | | | |
| 1-1-10 to 6-30-10 | 17.36 | 16.55 | 13.85 | 100 |
| 7-1-09 to 12-31-09 | 16.46 | 15.65 | 12.95 | 100 |

In the 2004 and 2010 legislative sessions, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional 0.5 percent of salary for calendar years 2006 and 2007, with subsequent year increases of 0.4 percent of salary through 2017, to a maximum of 5 percent (except for the Judicial Division whose AED contribution was frozen at the 2010 level).

In the 2006 and 2010 legislative sessions, 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, for calendar years 2008 through 2017, to a maximum of 5 percent (except for the Judicial Division whose SAED contribution was frozen at the 2010 level). The SAED will be deducted from the amount otherwise available to increase State employees' salaries.

At a 103 percent funding ratio, both the AED and the SAED will be reduced by one-half percentage point, and for subsequent declines to below 90 percent funded both the AED and SAED will be increased by one-half percentage point. For the Judicial Division, if the funding ratio reaches 90 percent and subsequently declines, the AED and SAED will be increased by one-half percentage point.

The preceding contribution table reflects the increase required by the AED/SAED legislation. It does not reflect a State increase of 2.5 percent at July 1, 2012 related to the restoration of the 8.0 percent member (employee) contribution.

The Fiscal Year 2011-12 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, 2011, to December 31, 2011, 11.23 percent was allocated to the defined benefit plan, and
- From January 1, 2012, to June 30, 2012, 12.13 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, 2011, the State Division of PERA had a funded ratio of 57.7 percent and a 56-year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly lower at 57.6 percent.

The State made the following retirement contributions:

- Fiscal Year 2011-12 \$276.3 million
- Fiscal Year 2010-11 \$256.7 million
- Fiscal Year 2009-10 \$291.9 million
- Fiscal Year 2008-09 \$277.2 million
- Fiscal Year 2007-08 \$239.9 million
- Fiscal Year 2006-07 \$236.8 million (previously restated)
- Fiscal Year 2005-06 \$189.2 million
- Fiscal Year 2004-05 \$189.4 million
- Fiscal Year 2003-04 \$167.7 million
- Fiscal Year 2002-03 \$155.7 million

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

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

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

| | | \$ Amount | ARC | Percent of |
|---|----------|-------------|------------|-------------|
| | Calendar | of ARC | Percent of | ARC |
| _ | Year | (Thousands) | Payroll | Contributed |
| | 2011 | \$326,274 | 13.63% | 85% |
| | 2010 | \$452,821 | 18.93% | 62% |
| | 2009 | \$426,999 | 17.91% | 69% |

The amount of ARC for calendar years 2010 and 2011 reflects a reduction of 2.5 percent for the State PERA

contribution swap with employees from July 1, 2010 to December 31, 2011, while the decrease in the ARC and the increase in the percent of ARC contributed in 2011 resulted from plan changes in the 2010 legislative session.

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

C. OTHER PENSION CONTRIBUTIONS

The Fire and Police Pension Association (FPPA), a related organization, was established to ensure the financial viability of local government pension plans for police and firefighters. In Fiscal Years 2011-12 and 2010-11, the Department of Local Affairs transferred \$4.4 and \$4.3 million, respectively, to the association for the premiums of the accidental death and disability insurance policy the association provides to volunteer firefighters. The State Treasurer is required to make supplemental contributions; however, from Fiscal Year 2008-09 to Fiscal Year 2010-11 to address State budget shortfalls, the General Assembly authorized the State Treasurer to suspend transfers related to the actuarial soundness of the pension plan. In Fiscal Year 2011-12, the State Treasurer distributed \$5.3 million in supplemental contributions.

Component Units

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

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

NOTE 19 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE

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

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

Primary Government

PERA Health Care Trust Fund

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

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

An additional implicit subsidy exists for participating retirees not eligible for Medicare Part A. This occurs because State statute prohibits PERA from charging different rates to retirees based on their Medicare Part A coverage, notwithstanding that the premium is calculated assuming that the participants have Medicare Part A coverage. At December 31, 2011, the Health Care Trust

Fund had an unfunded actuarial accrued liability of \$1.43 billion, a funded ratio of 16.5 percent, and a 49-year amortization period.

Beginning July 1, 2004, the State contribution to the Health Care Trust Fund was 1.02 percent of gross covered wages. The State paid contributions of \$24.1, million, \$24.3 million, \$24.0 million, \$24.6 million, \$23.1 million, and \$24.4 million in Fiscal Years 2011-12, 2010-11, 2009-10, 2008-09, and 2007-08, respectively. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. The Health Care Trust Fund offers two general types of plans – fully insured plans offered through healthcare organizations and self-insured plans administered for PERA by third party vendors. In addition, two of PERA's insurance carriers offered high deductible health care plans in 2011. As of December 31, 2011, there were 50,217 participants, including spouses and dependents, from all contributors to the plan.

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

In the December 31, 2011, actuarial valuation, the entry age level dollar actuarial cost method was used. The actuarial assumptions included an eight percent investment rate of return and discount rate, and a four and one-half percent projection of salary increases, both assuming a three and three-quarter percent inflation rate and productivity at three-quarter percent. Medical claims are projected to increase annually at various rates up to 7.73 percent based on different subsidy and premium options. The UAAL is being amortized as a level dollar amount on a level percent open basis over 30 years. Except for the discount rate these assumptions primarily affect plan assets available rather than the actuarial accrued liability because the benefit is a fixed subsidy amount.

<u>University of Colorado – Other Postemployment Benefits</u> Plan

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

The contribution requirements of plan members and the University are established by the University's Board of Regents. The University's contribution is based on pay-as-you-go financing requirements. For Fiscal Year 2011-12, the University contributed \$13.0 million to the plan. Plan members contributed 0.3 percent of covered payroll (defined as the annual payroll of active employees covered

by the plan) and the University contributed 1.1 percent of covered payroll.

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

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

(Amounts In Thousands)

| Annual required contribution Interest on net OPEB obligation Adjustment to annual required contribution Annual OPEB cost (expense) | \$ 40,717 4,750 (6,481) 38,986 |
|--|--|
| Contributions made Increase/(Decrease) in net OPEB obligation | (13,041) 25,945 |
| Net OPEB obligation - beginning of year Net OPEB obligation - end of year | \$ 105,563 131,508 |

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal Year 2011-12 were as follows:

(Amounts In Thousands)

| | | Percentage of | Net |
|---------|-----------|------------------|------------|
| Fiscal | Annual | Annual OPEB | OPEB |
| Year | OPEB Cost | Cost Contributed | Obligation |
| 2011-12 | \$ 38,986 | 33.5% | \$131,508 |

As of July 1, 2010, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was \$343.1 million and the actuarial value of assets was \$0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$343.1 million. The UAAL of the plan exceeds the Net OPEB Obligation (NOPEBO) due to the portion of the UAAL not required to be recognized as NOPEBO at the implementation of GASB Statement No. 45. The covered payroll was \$855.0 million, and the ratio of UAAL to covered payroll was 33.5 percent. The current valuation was calculated on the basis of the unit credit actuarial cost method. The actuarial assumptions included a four and one-half percent investment rate of return and various rates ranging from five to nine percent for annual increase in medical claims. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

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

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

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

The contribution requirements of all plan members and the university are established by the university's Board of Governors. The required contribution for the RMPR, URX and LTD plans is set by the university in consultation with outside benefit consultants, underwriters, and actuaries. The subsidy amount under the RMPS is determined on a pay-as-you-go basis. For Fiscal Year 2011-12, the university contributed \$576,084 to the RMPR, \$1,258,130 to the RMPS, \$111,165 to the URX and \$1,137,211 to the LTD. Plan members are not required to contribute to any of the four plans.

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

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

| (Amounts In Th | nousands) | |
|---|----------------------------------|---|
| A constant of the description of the second | RMPR | RMPS |
| Annual required contribution Interest on net OPEB obligation | \$ 2,418 288 | \$ 4,191 441 |
| Adjustment to annual required contribution | (240) | (663) |
| Annual OPEB cost (expense) | 2,466 | 3,969 |
| Contributions made | (576) | (1,258) |
| Increase/(Decrease) in net OPEB obligation | 1,890 | 2,711 |
| Net OPEB obligation - beginning of year | 7,207 | 11,016 |
| Net OPEB obligation - end of year | \$ 9,097 | \$ 13,727 |
| | | |
| (Amounts In Th | | |
| • | <u>URX</u> | LTD |
| Annual required contribution | \$ 188 | \$ 1,130 |
| Annual required contribution Interest on net OPEB obligation | URX \$ 188 14 | \$ 1,130 25 |
| Annual required contribution | \$ 188 | \$ 1,130 |
| Annual required contribution Interest on net OPEB obligation Adjustment to annual required contribution | URX \$ 188 14 (21) | \$ 1,130 25 (21) |
| Annual required contribution Interest on net OPEB obligation Adjustment to annual required contribution Annual OPEB cost (expense) | \$ 188 14 (21) | \$ 1,130 25 (21) 1,134 |
| Annual required contribution Interest on net OPEB obligation Adjustment to annual required contribution Annual OPEB cost (expense) Contributions made | URX \$ 188 14 (21) 181 (111) | \$ 1,130 25 (21) 1,134 (1,137) |
| Annual required contribution Interest on net OPEB obligation Adjustment to annual required contribution Annual OPEB cost (expense) Contributions made Increase/(Decrease) in net OPEB obligation | URX \$ 188 14 (21) 181 (111) 70 | \$ 1,130 25 (21) 1,134 (1,137) (3) |

The university's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation of the four plans for Fiscal Year 2011-12 were as follows:

(Amounts In Thousands)

| | | | | Percentage of | | Net |
|------|---------|----|---------|------------------|----|-----------|
| | Fiscal | Α | nnual | Annual OPEB | | OPEB |
| | Year | OP | EB Cost | Cost Contributed | Ok | oligation |
| RMPR | 2011-12 | \$ | 2,466 | 23.4% | \$ | 9,097 |
| RMPS | 2011-12 | \$ | 3,969 | 31.7% | \$ | 13,727 |
| URX | 2011-12 | \$ | 181 | 61.5% | \$ | 411 |
| LTD | 2011-12 | \$ | 1,134 | 100.2% | \$ | 631 |

As of the most recent actuarial valuation date of January 1, 2011, all four plans were 0 percent funded and had no plan assets. The actuarial accrued liability for benefits for the RMPR, RMPS, URX and LTD was \$28.9 million. \$54.7 million, \$2.8 million. \$13.1 million respectively, resulting in unfunded actuarial accrued liabilities of \$28.9 million, \$54.7 million, \$2.8 million and \$13.1 million, respectively. The UAAL of the plan exceeds the Net OPEB Obligation (NOPEBO) due to the portion of the UAAL not required to be recognized as NOPEBO at the implementation of GASB Statement No. 45. The covered payroll (annual payroll of active employees covered by the plan) of the RMPR was \$246.6 million, and the ratio of unfunded actuarial accrued liability (UAAL) to covered payroll was 11.7 percent. Neither the RMPS, the URX, nor the LTD plan contribution is based on salaries or covered payroll.

The RMPR and LTD plans used the entry age normal actuarial cost method, while the RMPS and URX plans used the unit credit method. All four plans used a four percent investment rate of return and a three percent inflation

adjustment. The RMPR plan also used a four percent salary increase assumption, while the RMPS, URX, and LTD plans did not incorporate that assumption into their analysis because benefits are not based on salary.

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

Other Programs

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

Component Units

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

NOTE 20 – OTHER EMPLOYEE BENEFITS

Primary Government

A. MEDICAL AND DISABILITY BENEFITS

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

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

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

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

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

B. EMPLOYEE DEFERRED COMPENSATION PLAN

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State Deferred Compensation Plan which was established for State and local government employees in 1981. At July 1, 2009, the State's administrative functions were transferred to PERA in a fiduciary to fiduciary transfer; all costs of administration and funding are borne by the plan participants. The 457 plan allows for voluntary participation to provide additional benefits at retirement, and all employees may contribute to the 457 plan. At conversion, State employees were the primary participants in the 457 plan. In calendar year 2011, participants were allowed to make contributions of upto 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution which temporarily increased to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of \$16,500. Participants who are age 50 and older, and contributing the maximum amount allowable, could make an additional \$5,500 in 2011, for total contributions of \$22,000. Contributions and earnings are tax deferred. At December 31, 2011, the plan had 17,821 participants.

C. OTHER RETIREMENT PLANS

PERA 401k Plan

The Public Employees' Retirement Association (PERA) offers a voluntary 401(k) plan entirely separate from the 457 plan, the defined contribution plan, and the defined benefit plan. In calendar years 2010 and 2011, PERA members are allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution, which was temporarily increased to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of \$16,500. Participants who are age 50 and older, and contributing the maximum amount allowable, could make an additional \$5,500 in 2011, for total contributions of \$22,000. Contributions and earnings are tax deferred. On December 31, 2011, the plan had net assets of \$1,891.3 million and 71,620 accounts.

PERA Defined Contribution Retirement Plan

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. On July 1, 2009, administration of the State's defined contribution plan was transferred to PERA and participants of the State's plan became participants of the PERA defined contribution plan. Existing State plan members at the time of the transfer became participants in the PERA defined contribution plan and retained their vesting schedule for employer contributions, while employer contributions for new members will vest from 50 percent to 100 percent evenly over 5 years. Participants in

the plan are required to contribute 8 percent (10 percent for State troopers) of their salary. For Fiscal Years 2010-11 and 2011-12 the legislature temporarily increased the required contribution rate to 10.5 percent (12.5 percent for State Troopers). At December 31, 2011, the plan had 4,029 participants.

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

Higher Education Optional Retirement Plans

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

Other State Retirement Plans

The State made contributions to other retirement plans of \$106.2 million and \$100.4 million during Fiscal Years 2011-12 and 2010-11, respectively. In addition, the State paid \$83.4 million and \$80.9 million in FICA and Medicare taxes on employee wages during Fiscal Years 2011-12 and 2010-11, respectively.

Component Units

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

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

D. TERMINATION BENEFITS

The University of Colorado provides an early retirement incentive program to tenured professors who are at least

55 years of age, whose age and years of service combined equal at least 70, and who participate in the University's optional retirement plan. The time period for the arrangement is from calendar year 2010 to 2016. The incentive is equal to twice the base salary and supplemental pay and requires the immediate relinquishment of tenure status. In Fiscal Year 2011-12 48 faculty members participated in the program at a present value accrued cost of \$8.0 million, with an assumed discount rate of 5 percent.

NOTE 21 – RISK MANAGEMENT

Primary Government

The State currently self-insures its agencies, officials, and employees for certain risks of loss to which they are exposed. These include general liability, motor vehicle liability, and workers' compensation. The Risk Management Fund is reported as a Special Purpose General Fund, and it is used to account for claims adjustment, investigation, defense, and authorization for the settlement and payment of claims or judgments against the State. Property claims are not self-insured; the State has purchased million of excess insurance (\$10.0 million \$50.0 deductible), \$450.0 million of property loss insurance (\$500,000 deductible). Flood insurance is also purchased for properties in flood zones designated by FEMA that may carry a higher deductible. The State has also purchased excess liability coverage for automotive liability outside Colorado for \$5.0 million per occurrence (\$2.0 million deductible), and \$10.0 million of employee dishonesty loss coverage (\$250,000 deductible). Settlements have not exceeded insurance coverage in any of the three prior years.

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

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

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

Colorado employers, including the State, 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 a third party administrator, Broadspire Services, to administer its plan. The State reimburses Broadspire the current cost of claims paid and related administrative expenses.

From January 1, 2000 through June 30, 2005, the State and its employees purchased insurance for medical claims. Beginning July 1, 2005, the State returned to the selffunding approach (used prior to January 1, 2000) for medical claims except for stop-loss insurance purchased for claims over \$200,000 per individual. In Fiscal Year 2011-12, the State recovered approximately \$7.2 million related to the stop-loss insurance claims. The State's contribution to medical premiums is subject to appropriation by the legislature each year, and State employees pay the difference between the State's contribution and the premium required to meet actuarial estimates. Since the amount of the State contribution is at the discretion of the legislature, employees ultimately bear the risk of funding the benefit plans. The claims and related liabilities are reported in the Group Benefit Plans, a Pension and Other Employee Benefits Trust Fund.

The State recorded \$14.7 million of insurance recoveries during Fiscal Year 2011-12. Of that amount approximately \$5.1 million was related to asset impairments that occurred in prior years primarily at the Departments of Transportation, in the Highway Users Tax Fund. The remaining \$9.6 million relates to the current year and was primarily recorded by Group Benefits Plans (including the \$7.2 million, as noted above), a Pension and Other Employee Benefits Fund, and by Higher Education (\$1.3 million) in the Higher Education Institutions Fund.

For claims related to events occurring before October 1, 1996, the Regents of the University of Colorado participate in the University of Colorado Insurance Pool (UCIP) – a public-entity self-insurance pool. After that date, the university became self-insured for workers' compensation, auto, and general and property liability. As of March 31, 2009, the Colorado Division of Insurance approved the dissolution of UCIP, and all remaining claim liabilities were transferred to the university's self-insurance program. An actuary projects the self-insured plan's undiscounted liabilities. The university purchases excess insurance for losses over its self-insured retention of \$500,000 per property claim, \$1.0 million per worker's compensation claim, and \$1.0

million per general liability claim. There were no significant reductions in insurance coverage in Fiscal Year 2011-12 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

University of Colorado tort claims are subject to the governmental immunity act, and damages are capped for specified waived areas at \$150,000 per person and \$600,000 per occurrence. There were no reductions of insurance coverage in Fiscal Year 2011-12, and settlements did not exceed insurance coverage in any of the three prior fiscal years.

The University of Colorado Graduate Medical Education Health Benefits Program is a comprehensive self-insurance health and dental benefits program for physicians in training at the University of Colorado Anschutz Medical Campus. The university manages excess risk exposure for staff medical claims by purchasing stop-loss insurance of \$225,000 per person and \$9.0 million in aggregate annually. There were no reductions of insurance coverage in Fiscal Year 2011-12 for this program. There have been no claims against the aggregate stop-loss insurance in the previous three years; however, the university collected \$268,513 from the stop-loss insurance carrier for individual claims in excess of the threshold from Fiscal Years 2010 through 2012. An insurance brokerage firm estimates liabilities of the plan using actuarial methods.

The University of Colorado Denver also self-insures its faculty and staff for medical malpractice through the University of Colorado Self-Insurance Trust, consistent with the limits of governmental immunity. For claims outside of governmental immunity, the Trust has purchased insurance to cover claims greater than \$1.0 million per occurrence and in the aggregate annually. The discounted liability for malpractice is determined annually by an actuarial study. There was no significant reduction in insurance coverage in Fiscal Year 2011-12, and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Colorado State University is self-insured for employee medical and dental plans, but purchases re-insurance for healthcare claims over \$200,000. The related liability is based on underwriting review of claims history and current data. The university is self-insured for worker's compensation up to \$500,000, and has purchased re-insurance for individual claims up to statutory limits. There were no significant reductions in insurance coverage in Fiscal Year 2011-12 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

The Colorado State University general liability claims arising out of employment practices are self-insured up to \$500,000 with excess insurance purchased for claims up to \$5.0 million and additional insurance purchased for claims up to \$10.0 million per occurrence. The university is self-insured for property damage up to \$100,000, but has purchased excess insurance providing coverage up to \$1.0 billion per occurrence. There were no significant reductions in insurance coverage in Fiscal Year 2011-12,

and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

The University of Northern Colorado manages general liability, professional liability, property, auto, and worker's compensation risks primarily through the purchase of insurance. The university retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2005-06. The university has purchased \$3.0 million of general liability insurance (\$0 deductible), \$3.0 million of professional liability insurance (\$25,000 deductible), \$1.0 million of automobile liability (\$0 deductible), \$3.0 million of errors and omissions insurance (\$25,000 deductible), \$3.0 million of employment practices liability (\$25,000 deductible), \$500,000 of worker's compensation insurance (\$1,000 deductible), \$1.0 million of employee fraud insurance (\$1,000 deductible), \$500.0 million of property insurance (\$25,000 deductible), and \$2.0 million umbrella liability (10,000 self-insured retention). There were no significant reductions in insurance coverage in Fiscal Year 2011-12, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

Fort Lewis College manages worker's compensation risks primarily through the purchase of insurance. The College has purchased worker's compensation insurance (\$5,000 deductible). Before Fiscal Year 2010-11, the College was covered under the State's risk management program. The college retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2009-10. There were no significant reductions in insurance coverage in Fiscal Year 2011-12, and the amount of settlements has not exceeded insurance coverage in Fiscal Years 2010-11 or 2011-12.

Fort Lewis College manages general liability risks primarily through the purchase of insurance. The College has purchased blanket building and personal property insurance of \$400.0 million (\$10,000 deductible), \$2.0 million of general liability (\$5,000 deductible), \$5.0 million of fine arts insurance (\$2,500 deductible, with a \$25,000 deductible for flood and earthquake). The College has also purchased \$1 million of employee dishonesty insurance (\$10,000 deductible). Before Fiscal Year 2011-12, the College was covered under the State's risk management program. The College retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2010-11. There were no significant reductions in insurance coverage in Fiscal Year 2011-12, and the amount of settlements has not exceeded insurance coverage in the current fiscal year.

Colorado Mesa University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased worker's compensation insurance (\$1,000 deductible). Before Fiscal Year 2010-11, the University was covered under the State's risk management program. The university retains a small amount of self insurance risk from taking over claims previously covered

by State risk management from Fiscal Year 2009-10. There were no significant reductions in insurance coverage in Fiscal Year 2011-12, and the amount of settlements has not exceeded insurance coverage in Fiscal Years 2010-11 or 2011-12.

Colorado Mesa University manages general liability risks primarily through the purchase of insurance. The University has purchased general liability insurance (\$25,000 deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2010-11. There were no significant reductions in insurance coverage in Fiscal Year 2011-12, and the amount of settlements has not exceeded insurance coverage in the current fiscal year.

Western State College manages worker's compensation risks primarily through the purchase of insurance. The College has purchased worker's compensation insurance (\$500 deductible). Before Fiscal Year 2011-12, the College was covered under the State's risk management program. The College retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2011-12. There were no significant reductions in insurance coverage in Fiscal Year 2011-12, and the amount of settlements has not exceeded insurance coverage in the current fiscal year.

Adams State College manages worker's compensation risks primarily through the purchase of insurance. The College has purchased worker's compensation insurance of \$500,000 per occurrence (\$500 deductible). Before Fiscal Year 2011-12, the College was covered under the State's risk management program. The College retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2011-12. There were no significant reductions in insurance coverage in Fiscal Year 2011-12, and the amount of settlements has not exceeded insurance coverage in the current fiscal year.

Adams State College manages general liability risks primarily through the purchase of insurance. The College has purchased general liability for auto, fidelity, liability and fire insurance of \$2.0 million per occurrence (no deductible). Before Fiscal Year 2011-12, the College was covered under the State's risk management program. The College retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2011-12. There were no significant reductions in insurance coverage in Fiscal Year 2011-12, and the amount of settlements has not exceeded insurance coverage in the current fiscal year.

Changes in claims liabilities were as follows:

Changes in Claims Liabilities (Amounts in Thousands)

| | | Current Year | | |
|--|--------------|--------------|----------|--------------|
| | | Claims and | | |
| Fiscal | Liability at | Changes in | Claim | Liability at |
| Year | July 1 | Estimates | Payments | June 30 |
| State Risk Management: | | | | |
| Liability Fund | | | | |
| 2011-12 | 24,733 | 9,981 | 4,831 | 29,883 |
| 2010-11 | 22,938 | 6,885 | 5,090 | 24,733 |
| 2009-10 | 17,703 | 9,941 | 4,706 | 22,938 |
| Workers' Compensation | | | | |
| 2011-12 | 110,322 | 32,853 | 33,566 | 109,609 |
| 2010-11 | 100,787 | 44,977 | 35,442 | 110,322 |
| 2009-10 | 84,147 | 53,278 | 36,638 | 100,787 |
| Group Benefit Plans: | | | | |
| 2011-12 | 13,904 | 146,285 | 146,494 | 13,695 |
| 2010-11 | 17,873 | 133,109 | 137,078 | 13,904 |
| 2009-10 | 16,621 | 143,098 | 141,846 | 17,873 |
| University of Colorado | | | | |
| University of Colorado: | | | | |
| General Liability, Property, | | | | |
| and Workers' Compensation 2011-12 | 9,977 | 4,722 | 4,684 | 10,015 |
| 2011-12 | 11,561 | 4,659 | 6,243 | 9,977 |
| 2009-10 | 11,663 | 5,905 | 6,007 | 11,561 |
| | 11,000 | 0,700 | 0,007 | 11,001 |
| University of Colorado Denver: | | | | |
| Medical Malpractice | | | | |
| 2011-12 | 5,126 | 2,472 | 1,943 | 5,655 |
| 2010-11 | 4,589 | 1,864 | 1,327 | 5,126 |
| 2009-10 | 5,065 | 273 | 749 | 4,589 |
| Graduate Medical Education | | | | |
| Health Benefits Program | | | | |
| 2011-12 | 1,291 | 7,121 | 7,004 | 1,408 |
| 2010-11 | 1,321 | 6,319 | 6,349 | 1,291 |
| 2009-10 | 1,603 | 6,280 | 6,562 | 1,321 |
| Outron de Chata Halanasita | | | | |
| Colorado State University: | | | | |
| Medical, Dental, and Disability Benefits | | | | |
| 2011-12 | 27,013 | 37,372 | 32,223 | 32,162 |
| 2010-11 | 21,766 | 34,865 | 29,618 | 27,013 |
| 2009-10 | 18,537 | 32,285 | 29,056 | 21,766 |
| University of Northern Colorado: | | | | |
| General Liability, Property, | | | | |
| and Workers' Compensation | | | | |
| 2011-12 | 21 | 108 | 72 | 57 |
| 2010-11 | 25 | 92 | 96 | 21 |
| 2009-10 | 24 | 92 | 91 | 25 |
| Fort Lowis College: | | | | |
| Fort Lewis College: | | | | |
| Worker's Compensation | 0.45 | 400 | | 004 |
| 2011-12 | 315 | 133 | 147 | 301 |
| 2010-11 | 288 | 124 | 97 | 315 |
| General Liability | | | | |
| 2011-12 | 307 | - | 140 | 167 |
| Adams State College | | | | |
| Workers' Compensation | | | | |
| 2011-12 | 35 | _ | 35 | _ |
| | | | | |
| General Liability | | | | |
| 2011-12 | 158 | - | 147 | 11 |
| Colorado Mesa University: | | | | |
| Workers' Compensation | | | | |
| 2011-12 | 140 | (6) | 67 | 67 |
| 2010-11 | 282 | 303 | 445 | 140 |
| General Liability | | | | |
| General Liability 2011-12 | 21 | 130 | 33 | 118 |
| | ۷1 | 130 | 33 | 110 |
| Western State Colorado University: | | | | |
| Workers' Compensation | | | | |
| 2011-12 | 185 | 122 | 99 | 208 |
| | | | | |

Component Units

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

The Colorado Water Resources and Power Development Authority maintains commercial insurance for most risks of loss, and is self-insured for any director or officer legal liability

NOTE 22 – LEASE COMMITMENTS

Primary Government

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

At June 30, 2012, the State had the following gross amounts of assets under capital lease:

(Amounts in Thousands)
Gross Assets Under Lease (Before Depreciation)

| | | | | Equipment |
|--------------------------|-----------|----|-----------|------------|
| | Land | Е | Buildings | and Other |
| Governmental Activities | \$ 735 | \$ | 72,964 | \$ 144,254 |
| Business-Type Activities | - | | 34,533 | 30,784 |
| Total | \$ 735 | \$ | 107,497 | \$ 175,038 |

At June 30, 2012, the State expected the following sublease rentals related to its capital and operating leases:

(Amounts in Thousands)

| | Sublease Rentals | | | | | | | | | | | | |
|--------------------------|-------------------------|-----|----------|-----|----|-----|--|--|--|--|--|--|--|
| | Capital Operating Total | | | | | | | | | | | | |
| Governmental Activities | \$ | 225 | \$ | 511 | \$ | 736 | | | | | | | |
| Business-Type Activities | | - | | 177 | | 177 | | | | | | | |
| Total | \$ | 225 | \$ | 688 | \$ | 913 | | | | | | | |
| . otal | | | <u> </u> | 000 | | , | | | | | | | |

During the year ended June 30, 2012, the State incurred the following contingent rentals related to capital and operating leases:

(Amounts in Thousands)

| (| onting | ent Rent | ais | | | |
|--------------------------|--------|----------|-----|--------|----|------|
| | Ca | oital | Ope | rating | To | otal |
| Business-Type Activities | \$ | - | \$ | 15 | \$ | 15 |
| Total | \$ | - | \$ | 15 | \$ | 15 |

Colorado State University Research Foundation, a related party, is a not-for-profit Colorado corporation, established to aid and assist the three institutions governed by the Colorado State University System Board of Governors in their research and educational efforts. The support provided by the foundation to the institutions includes patent and licensing management, equipment leasing, municipal lease administration, debt financing, and land acquisition, development, and management. Colorado State University subleases space, vehicles, and equipment from the foundation. At June 30, 2012, the total obligation for the space was \$2.8 million, with an average annual lease payment of \$121,009, and the total obligation for the vehicles and equipment was \$4.7 million, with total annual lease payments of \$1.8 million.

Colorado Mesa University has a lease-purchase agreement with the Colorado Mesa University Foundation for the acquisition of property. The remaining term of the lease is 7 years and it requires payment of interest at 3 percent; the University made a \$1.3 million payment to the Foundation under this agreement in Fiscal Year 2011-12.

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

The 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 2011-12, the State recorded building and land rent of \$50.7 million and \$22.6 million in governmental and business-type activities, respectively. The State also recorded equipment and vehicle rental expenditures of \$9.7 million and \$28.8 million in governmental and business-type activities, respectively. The above amounts were payable to entities external to State government and do not include transactions with the State fleet management program.

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

The State entered into approximately \$8.4 million of capital leases related to the State's fleet management, which is reported in an internal service fund that does not report capital lease proceeds.

Future minimum payments at June 30, 2012, for existing leases were as follows:

(Amounts in Thousands)

| | Operatir | ng Leas | es | Capital Leases | | | | | |
|---|-------------------------|---------|-------------------------|--------------------------|---------|----|------------------------|--|--|
| Fiscal Year(s) | ernmental Activities | | ness-Type activities | Government Activities | | | ness-Type ctivities | | |
| 2013 | \$ 47,067 | \$ | 18,050 | \$ | 19,554 | \$ | 7,490 | | |
| 2014 | 39,817 | | 15,349 | | 18,395 | | 6,320 | | |
| 2015 | 32,944 | | 13,327 | | 16,853 | | 4,997 | | |
| 2016 | 24,271 | | 11,692 | | 13,917 | | 4,726 | | |
| 2017 | 16,288 | | 6,396 | | 11,414 | | 4,119 | | |
| 2018 to 2022 | 34,318 | | 16,545 | | 43,590 | | 12,178 | | |
| 2023 to 2027 | 104 | | 6,304 | | 22,199 | | 7,893 | | |
| 2028 to 2032 | 111 | | 1,630 | | 7,650 | | 1,456 | | |
| 2033 to 2037 | 119 | | 850 | | 870 | | - | | |
| 2038 to 2042 | 128 | | 646 | | - | | - | | |
| 2043 to 2047 | 122 | | 646 | | - | | - | | |
| 2048 to 2052 | 61 | | 65 | | - | | - | | |
| Total Minimum Lease Payments | 195,350 | | 91,500 | | 154,442 | | 49,179 | | |
| Less: Imputed Interest Costs | | | | | 33,013 | | 10,141 | | |
| Present Value of Minimum Lease Payments | \$ 195,350 | \$ | 91,500 | \$ | 121,429 | \$ | 39,038 | | |

Component Units

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

(Amounts in Thousands)

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

The Colorado Water Resources and Power Development Authority leases office facilities under an operating lease that expires December 31, 2012. Total rental expense for the year ended December 31, 2011 was \$136,556. The total minimum rental commitment as of December 31, 2011 is \$109,605.

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

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

NOTE 23 – SHORT-TERM DEBT

On July 19, 2011, the State Treasurer issued \$500.0 million of General Fund Tax Revenue Anticipation Notes (GTRAN), Series 2011A. The notes were due and payable on June 27, 2012, at a coupon rate of 2.0 percent. The total interest related to this issuance was \$768,889. However, the notes were issued at a premium of \$8.6 million resulting in net interest costs of \$843,589 and a yield of 0.16 percent. The notes were issued for cash management purposes and were repaid before June 30, 2012, as required by the State Constitution.

Statutes authorize the State Treasurer to issue notes and lend the proceeds to local school districts in anticipation of local school district revenues to be collected at a later time. On July 14, 2011, the State Treasurer issued \$100.0 million of Education Loan Program Tax and Revenue

Anticipation Notes, Series 2011A. The notes had a coupon rate of 2.0 percent but were issued at a premium, resulting in net interest costs of \$233,667 or .24 percent. The notes matured on June 29, 2012 and were repaid.

On January 13, 2012, the State Treasurer issued \$230.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2012A. The notes had a coupon rate of 2.0 percent but were issued at a premium, resulting in net interest costs of \$117,811 or 0.11 percent. The notes matured on June 29, 2012, and were repaid.

The following schedule shows the changes in short-term financing for the period ended June 30, 2012:

(Amount in Thousands)

| | | ginning alance | | Chai | End Bala | ding ince | | |
|--|----|-------------------|----|----------|-------------|--------------|------|------|
| | J | uly 1 | - | dditions | R | eductions | June | e 30 |
| Governmental Activities: | | | | | | | | |
| Tax Revenue Anticipation Notes | \$ | - | \$ | 500,000 | \$ | (500,000) | \$ | - |
| Education Loan Anticipation Notes | \$ | - | | 330,000 | \$ | (330,000) | | - |
| Total Governmental Activities Short-Term Financing | | - | | 830,000 | | (830,000) | | - |
| Total Short-Term Financing | \$ | - | \$ | 830,000 | \$ | (830,000) | \$ | - |

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

Primary Government

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

During Fiscal Year 2011-12 the State's governmental activities had \$166.7 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 \$691.8 million of available net revenue after operating expenses to meet the \$203.1 million of debt service requirement related to revenue bonds.

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

During Fiscal Year 2011-12 the State recorded \$250.1 million of interest costs, of which, \$89.0 million was recorded by governmental activities and \$161.1 million was recorded by business-type activities. governmental activities interest cost primarily comprises \$42.3 million of Highway Users Tax Fund interest on Transportation Revenue Anticipation Notes issued by the Department of Transportation, \$16.3 million of interest on Certificates of Participation issued by the Judicial Branch, and \$13.3 of interest on Certificates of Participation issued by the State Treasurer for the Building Excellent Schools Today program. The business-type activities interest cost primarily comprises \$120.4 million of interest on revenue bonds issued by institutions of higher education, \$14.9 million of interest paid to lending institutions that made loans to students under the College Assist loan guarantee program, \$13.9 million of interest on bonds issued by the Bridge Enterprise in the Transportation Enterprise, and \$11.2 million of interest on Unemployment Insurance Fund's federal loan and revenue bonds. College Assist and the Transportation Enterprise are nonmajor enterprise funds.

Annual maturities of notes, bonds, and COPs payable at June 30, 2012, are as follows:

(Amounts in Thousands)

| | | | | | | overninei | itai <i>i</i> | ACTIVITIES | | | | | | | |
|-----------|--------|-----------|---------------|------|----------|---------------|---------------|------------|------|----------------|------|-----------|-----------------|-----|----------|
| | Fiscal | | Reven | ue E | Bonds | Notes | Pay | able | Cert | tificates of I | Part | icipation | Tot | als | |
| | Year | | Principal | | Interest | Principal | | Interest | | Principal | | Interest | Principal | | Interest |
| | 2013 | | \$ 132,105 | \$ | 35,738 | \$ 1,855 | \$ | 423 | \$ | 28,745 | \$ | 43,795 | \$ 162,705 | \$ | 79,956 |
| | 2014 | | 140,545 | | 27,295 | 1,965 | | 400 | | 29,382 | | 42,682 | 171,892 | | 70,377 |
| | 2015 | | 146,575 | | 21,267 | 2,005 | | 359 | | 30,733 | | 41,334 | 179,313 | | 62,960 |
| | 2016 | | 156,565 | | 11,275 | 2,045 | | 317 | | 32,009 | | 39,120 | 190,619 | | 50,712 |
| | 2017 | | 125,765 | | 3,104 | 2,090 | | 275 | | 33,389 | | 37,756 | 161,244 | | 41,135 |
| 2018 | to | 2022 | - | | - | 11,115 | | 703 | | 140,549 | | 168,734 | 151,664 | | 169,437 |
| 2023 | to | 2027 | - | | - | - | | - | | 221,319 | | 139,013 | 221,319 | | 139,013 |
| 2028 | to | 2032 | - | | - | - | | - | | 294,982 | | 93,379 | 294,982 | | 93,379 |
| 2033 | to | 2037 | - | | - | - | | - | | 60,775 | | 53,155 | 60,775 | | 53,155 |
| 2038 | to | 2042 | - | | - | - | | - | | 74,995 | | 31,614 | 74,995 | | 31,614 |
| 2043 | to | 2047 | - | | - | - | | - | | 53,066 | | 6,447 | 53,066 | | 6,447 |
| Subtotals | 5 | | 701,555 | | 98,679 | 21,075 | | 2,477 | | 999,944 | | 697,029 | 1,722,574 | | 798,185 |
| Unamorti | ized | | | | | | | | | | | | | | |
| Prem/Dis | count | | 37,584 | | _ | (1,706) | | _ | | 18,374 | | _ | 54,252 | | _ |
| Accrued | | | , | | | (- / / | | | | , | | | , | | |
| Apprecia | | tificates | _ | | _ | _ | | _ | | 137 | | - | 137 | | |
| Totals | | | \$ 739,139 | \$ | 98,679 | \$ 19,369 | \$ | 2,477 | \$ | 1,018,455 | \$ | 697,029 | \$ 1,776,963 | \$ | 798,185 |

(Amounts in Thousands)

| | | | | | Bus | siness-Type | Ac. | tivities | | | | | Α. | | | 4 . • 4 4 |
|-----------|----------|------|--------------|--------------|---|-------------|-----|----------|----|-----------|----|----------|--------------|--------------|----|-----------|
| | Fiscal | | - | ue Bonds | Notes Payable Certificates of Participation | | | | | | As | To | urro tals | ent interest | | |
| | Year | | Principal | Interest | | Principal | | Interest | | Principal | | Interest | | Principal | | Interest |
| | 2013 | | \$ 221,045 | \$ 158,890 | \$ | 3,848 | \$ | 304 | \$ | 18,120 | \$ | 20,210 | \$ | 243,013 | \$ | 179,404 |
| | 2014 | | 207,221 | 156,814 | | 683 | | 134 | | 18,983 | | 19,539 | | 226,887 | | 176,487 |
| | 2015 | | 212,397 | 149,164 | | 710 | | 107 | | 19,834 | | 18,758 | | 232,941 | | 168,029 |
| | 2016 | | 213,515 | 144,222 | | 741 | | 78 | | 20,749 | | 17,860 | | 235,005 | | 162,160 |
| | 2017 | | 215,553 | 146,244 | | 759 | | 47 | | 21,709 | | 16,897 | | 238,021 | | 163,188 |
| 2018 | to | 2022 | 502,023 | 620,165 | | 578 | | 28 | | 125,330 | | 66,820 | | 627,931 | | 687,013 |
| 2023 | to | 2027 | 583,569 | 497,615 | | 60 | | 8 | | 143,061 | | 31,890 | | 726,690 | | 529,513 |
| 2028 | to | 2032 | 602,244 | 344,751 | | - | | - | | 51,990 | | 5,095 | | 654,234 | | 349,846 |
| 2033 | to | 2037 | 582,285 | 185,849 | | - | | - | | - | | - | | 582,285 | | 185,849 |
| 2038 | to | 2042 | 303,155 | 50,265 | | - | | - | | - | | - | | 303,155 | | 50,265 |
| 2043 | to | 2047 | 19,879 | 2,337 | | - | | - | | - | | - | | 19,879 | | 2,337 |
| Subtotals | | | 3,662,886 | 2,456,316 | | 7,379 | | 706 | | 419,776 | | 197,069 | | 4,090,041 | | 2,654,091 |
| Unamortiz | ed | | | | | | | | | | | | | | r | ates are |
| Prem/Disc | ount | | 70,308 | - | | (26) | | _ | | 1,175 | | _ | | 71,457 | | _ |
| Unaccrete | d Intere | st | (13,316) | - | | `- | | - | | · - | | - | | (13,316) | | |
| Totals | | | \$ 3,719,878 | \$ 2,456,316 | \$ | 7,353 | \$ | 706 | \$ | 420,951 | \$ | 197,069 | \$ | 4,148,182 | \$ | 2,654,091 |

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

applied over the term of the debt, at June 30, 2012, Mine's aggregate debt service payments and net swap cash payments are reflected in the table below:

(Amounts in Thousands)

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

| | Interest Rate | | | | | | | | | | |
|--------|---------------|----------|------|----------|----|----------|----|----------|----|--------|--|
| | Fiscal Yea | <u>r</u> | P | rincipal | | Interest | S۱ | wap, Net | | Total | |
| | 2013 | | \$ | 575 | \$ | 68 | \$ | 1,428 | \$ | 2,071 | |
| | 2014 | | | 600 | | 67 | | 1,408 | | 2,075 | |
| | 2015 | | | 625 | | 66 | | 1,387 | | 2,078 | |
| | 2016 | | | 625 | | 65 | | 1,366 | | 2,056 | |
| | 2017 | | | 675 | | 64 | | 1,343 | | 2,082 | |
| 2018 | to | 2022 | | 3,525 | | 302 | | 6,349 | | 10,176 | |
| 2023 | to | 2027 | | 5,025 | | 268 | | 5,637 | | 10,930 | |
| 2028 | to | 2032 | • | 12,900 | | 195 | | 4,111 | | 17,206 | |
| 2033 | to | 2037 | • | 14,335 | | 83 | | 1,755 | | 16,173 | |
| 2038 | to | 2042 | | 3,075 | | 3 | | 53 | | 3,131 | |
| Totals | | | \$ 4 | 41,960 | \$ | 1,181 | \$ | 24,837 | \$ | 67,978 | |

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

(Amounts in Thousands)

| | Rev | venue Bonds | Note | es Payable | Certificates of Participation | | Total |
|---|-----|------------------------|------|------------------|----------------------------------|----------|------------------------|
| Governmental Activities Business Type Activities | \$ | 1,486,145 4,247,149 | \$ | 21,075 10,663 | \$ 1,047,997 450,597 | \$ \$ | 2,555,217 4,708,409 |
| Total | \$ | 5,733,294 | \$ | 31,738 | \$ 1,498,594 | \$ | 7,263,626 |

Component Units

The debt service requirements to maturity for the Colorado Water Resources and Power Development Authority at December 31, 2011, excluding unamortized original issue discount and premium and deferred refunding costs are:

(Amounts in Thousands)

| Year | Principal | Interest | Total |
|-----------------------|--------------|------------|--------------|
| 2012 | \$ 60,205 | \$ 51,473 | \$ 111,678 |
| 2013 | 59,905 | 48,849 | 108,754 |
| 2014 | 60,755 | 46,203 | 106,958 |
| 2015 | 57,655 | 43,405 | 101,060 |
| 2016 | 59,105 | 40,748 | 99,853 |
| 2017 to 2021 | 281,575 | 162,780 | 444,355 |
| 2022 to 2026 | 217,715 | 101,338 | 319,053 |
| 2027 to 2031 | 141,850 | 59,945 | 201,795 |
| 2032 to 2036 | 121,580 | 26,948 | 148,528 |
| 2037 to 2041 | 28,130 | 7,544 | 35,674 |
| 2042 to 2043 | 11,665 | 926 | 12,591 |
| Total Future Payments | \$ 1,100,140 | \$ 590,159 | \$ 1,690,299 |

The original principal amount for the outstanding bonds was \$1,588.9 million. Total interest paid during 2011 amounted to \$54.2 million.

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

The Water Resources Revenue Bonds, Series 2003A, 2004B, 2004C, 2004D, and 2004E, and Series 2005A, 2005E, and 2005F are insured as to payment of principal and interest by MBIA Insurance Corporation. The Water Resources Revenue Bonds Series 2005B, 2005C, and 2005D, Series 2008A, Series 2009A, Series 2010A, and 2011A are insured as to payment of principal and interest by Assured Guaranty Municipal Corp. The authority can issue up to \$150.0 million (excluding refunding bonds) of outstanding Small Water Resources Revenue Bonds, and as of December 31, 2011, it had \$51.6 million of these bonds outstanding.

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

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

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

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

(Amounts in Thousands)

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

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

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

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

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

| / A | | T1 | |
|--------|-------|---------|-------|
| (Amoun | ts in | i nous: | ลทตรา |

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

NOTE 25 – CHANGES IN LONG-TERM LIABILITIES

Primary Government

The following table summarizes the changes in long-term liabilities for Fiscal Year 2011-12:

| (Amount | in | Thousands) |
|---------|----|------------|
| | | |

| | Restated | | | | | |
|--|--------------|-------------|----------------|--------------|--------------|--|
| | Beginning | | | Ending | | |
| | Balance | Cha | nges | Balance | Due Within | |
| | July 1 | Additions | Reductions | June 30 | One Year | |
| Governmental Activities | | | | | | |
| Deposits Held In Custody For Others | \$ 1,152 | \$ 1,528 | \$ - | \$ 2,680 | \$ 2,663 | |
| Accrued Compensated Absences | 146,880 | 5,561 | (10,188) | 142,253 | 9,859 | |
| Claims and Judgments Payable | 384,644 | 4,226 | (13,496) | 375,374 | 44,858 | |
| Capital Lease Obligations | 107,588 | 35,476 | (21,635) | 121,429 | 14,387 | |
| Bonds Payable | 869,283 | 136,353 | (268,204) | 737,432 | 132,105 | |
| Certificates of Participation | 897,631 | 704,621 | (583,796) | 1,018,456 | 28,745 | |
| Notes, Anticipation Warrants, Mortgages | - | 21,075 | - | 21,075 | 1,855 | |
| Other Long-Term Liabilities | 434,194 | 16,399 | (22,765) | 427,828 | - | |
| Total Governmental Activities Long-Term Liabilities | 2,841,372 | 925,239 | (920,084) | 2,846,527 | 234,472 | |
| Business-Type Activities | | | | | | |
| Accrued Compensated Absences | 220,200 | 31,750 | (17,982) | 233,968 | 14,942 | |
| Claims and Judgments Payable | 35,373 | 7,137 | (5,916) | 36,594 | 122 | |
| Capital Lease Obligations | 48,416 | 13,742 | (23,120) | 39,038 | 5,853 | |
| Derivative Instrument Liabilities | 6,182 | 7,421 | (609) | 12,994 | - | |
| Bonds Payable | 2,784,530 | 1,286,082 | (308,774) | 3,761,838 | 221,620 | |
| Certificates of Participation | 430,535 | 89,679 | (99,264) | 420,950 | 18,120 | |
| Notes, Anticipation Warrants, Mortgages | 3,505 | 4,289 | (440) | 7,354 | 3,848 | |
| Other Postemployment Benefits | 124,761 | 33,777 | (18,885) | 139,653 | - | |
| Other Long-Term Liabilities | 49,006 | 3,034 | (6,270) | 45,770 | 4,997 | |
| Total Business-Type Activities Long-Term Liabilities | 3,702,508 | 1,476,911 | (481,260) | 4,698,159 | 269,502 | |
| Fiduciary Activities | | | | | | |
| Deposits Held In Custody For Others | 1,106,612 | 4,642 | (245,976) | 865,278 | 824,251 | |
| Accrued Compensated Absences | 54 | - | (17) | 37 | - | |
| Other Long-Term Liabilities | 9,383 | 261 | (3,915) | 5,729 | - | |
| Total Fiduciary Activities Long-Term Liabilities | 1,116,049 | 4,903 | (249,908) | 871,044 | 824,251 | |
| Total Primary Government Long-Term Liabilities | \$ 7,659,929 | \$2,407,053 | \$ (1,651,252) | \$ 8,415,730 | \$ 1,328,225 | |

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

The amount shown in the schedule above for Notes, Bonds, and Certificates of Participation do not include the short-term borrowing disclosed in Note 23. A current portion is not normally identifiable for Derivative Instrument Liabilities, Other Post Employment Benefits, and Other Long-Term Liabilities, except for CollegeInvest's prepaid tuition costs in the business-type activities.

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

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

At June 30, 2012, the following obligations were classified as Other Long-Term Liabilities on the government-wide *Statement of Net Position*:

The \$427.8 million shown for governmental activities primarily comprises:

- \$256.5 million of tax refunds payable at the Department of Revenue, which were at various levels of administrative and legal appeal. These refunds relate to tax revenues of the General Purpose Revenue Fund and Highway Users Tax Fund. Payment is not expected within one year.
- \$150.7 million of pollution remediation obligations at the Department of Public Health and Environment (see Note 27 for additional information on pollution remediation obligations).

• \$20.6 million of unclaimed property liabilities estimated to be due to claimants.

The \$40.8 million (including \$1.8 million Due to Component Units) shown for business-type activities primarily comprises:

- \$23.3 million of commitments to pay future tuition costs related to the prepaid tuition program of CollegeInvest.
- \$15.7 million of deferred revenue in Institutions of Higher Education, the most significant balances relate to an early retirement incentive program and an alternate Medicare program at the University of Colorado (\$8.0 million and \$5.2 million, respectively).

Component Units

Changes in long-term liabilities are summarized as follows:

(Amounts in Thousands)

| | Reata | ited Beginning Balance | ļ | Additions | R | eductions | | Ending Balance | (| Current Portion |
|--|----------|---------------------------|----------|-------------------|----------|-----------------------|----------|----------------------|----------|--------------------|
| University of Colorado Hospital Au | thority | | | | | | | | | |
| Bonds Payable | \$ | 527,132 | \$ | 202,119 | \$ | (13,591) | \$ | 715,660 | \$ | 13,295 |
| Colorado Water Resources and Por | wer Dev | elopment Auth | ority | | | | | | | |
| Bonds Payable Other Long-Term Liabilities | \$ \$ | 1,047,011 183,148 | \$ \$ | 67,080 102,475 | \$ \$ | (73,722) (100,742) | \$ \$ | 1,040,369 184,881 | \$ \$ | 60,205 154,514 |

The Other Long-Term Liabilities of the Colorado Water Resources and Power Development Authority were primarily attributable to the Water Operations Fund, accounting for \$27.5 million of the \$30.4 million total. The other long-term liabilities of the Water Pollution Control Fund and Drinking Water Fund were \$0.9 million and \$2.0 million respectively. Sixty-nine percent of total, other long-term liabilities (\$21.1 million) were related to project costs payable—amounts not yet requisitioned—on loans made to local government borrowers.

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

expectancies and risk-free rates of return are used to estimate the obligation to named beneficiaries. The fair value of assets in excess of the estimated liability is recorded as Gifts and Donations revenue at the date of the gift.

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

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

The Colorado State University Foundation (CSUF) administers life income agreements as gift annuities where an income beneficiary is the lifetime recipient of income and the

foundation is the remainder beneficiary. Upon receipt of the gift, a liability is established for the estimated net present value of the lifetime recipient's interest using applicable mortality tables and a discount rate commensurate with the risks involved. A contribution is recognized for the estimated remainder interest.

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

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

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

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

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

NOTE 26 – DEFEASED DEBT

Debt is defeased by depositing in escrow accounts an amount sufficient, together with known minimum investment yields, to pay principal, interest, and any redemption premium on the debt to be defeased. During Fiscal Year 2011-12, debt was defeased in both governmental and business-type activities.

At June 30, 2012, 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 | \$ 225,285 |
| Department of Treasury | 18,240 |
| Department of Corrections | 18,100 |
| Business-Type Activities: | |
| University of Colorado | 325,035 |
| Colorado State University | 70,545 |
| Colorado Mesa University | 53,990 |
| Colorado School of Mines | 23,800 |
| Western State College | 19,105 |
| Adams State College | 7,930 |
| Community College System | 4,740 |
| Total | \$ 766,770 |

The Department of Transportation issued \$104,650,000 of its Transportation Revenue Anticipation Notes, Refunding Series 2011 to fully defease \$106,070,000 of its Transportation Revenue Anticipation Notes, Series 2004A. The defeased debt had an interest of 5.00 percent, and the new debt had an interest rate of ranging from 4.00 to 5.00 percent. The remaining term of the debt was 5 years and the estimated debt service cash flows decreased by \$3,424,125. The defeasance resulted in an economic loss of \$270,840 and a book loss of \$9,132,507 that will be amortized as an adjustment of interest expense over the remaining 5 years of the new debt.

The Department of Transportation issued \$21,075,000 of its Refunding Certificates of Participation, Series 2012 to fully defease \$19,215,000 of its Certificates of Participation, Series 2004. The defeased debt had interest rates ranging from 3.63 to 5.00 percent, and the new debt had an interest rate of 2.08 percent. The remaining term of the debt was 22 years, and the estimated debt service cash flows decreased by \$10,334,882. The defeasance resulted in an economic gain of \$5,300,005 and a book loss of \$1,706,059 that will be amortized as an adjustment of interest expense over the remaining 10 years of the new debt.

The State of Colorado, acting by and through the Board of Regents of the University of Colorado, issued \$56,095,000 of its Refunding Certificates of Participation, Series 2012 to fully defease \$57,595,000 of its Certificates of Participation, Series 2005. The defeased debt had interest rates of 5.05 percent, and the new debt had an interest rate of 4.88 percent. The remaining term of the debt was 12.5 years, and the estimated debt service cash flows decreased by \$3,342,452. The defeasance resulted in an economic gain of \$2,771,352 and a book loss of \$7,700,643 that will be amortized as an adjustment of interest expense over the remaining 12.5 years of the new debt.

The Board of Regents of the University of Colorado issued \$174,450,000 of its Enterprise Refunding Revenue Bonds, Series 2011B to partially defease \$181,075,000 of its Enterprise Revenue Bonds, Series 2003A, 2004, and 2005A. The defeased debt had an interest rate of 4.95 percent, and the new debt has an interest rate of 2.41 percent. The remaining term of the debt was 17 years and the estimated debt service

cash flows decreased by \$14,141,992. The defeasance resulted in an economic gain of \$11,141,918 and a book loss of \$21,612,589 that will be amortized as an adjustment of interest expense over the remaining 17 years of the new debt.

The Board of Regents of the University of Colorado issued \$121,850,000 of its Enterprise Refunding Revenue Bonds, Series 2012A-I to partially defease \$127,460,000 of its Enterprise Revenue Bonds, Series 2004, 2005A, 2005B, and 2006A. The defeased debt had an interest rate of 4.95 percent, and the new debt has an interest rate of 2.85 percent. The remaining term of the debt was 17 years and the estimated debt service cash flows decreased by \$11,650,303. The defeasance resulted in an economic gain of \$9,026,020 and a book loss of \$15,265,646 that will be amortized as an adjustment of interest expense over the remaining 17 years of the new debt.

The Board of Governors of the Colorado State University System issued \$54,115,000 of its Tax-Exempt System Enterprise Refunding Revenue Bonds, Series 2012B to partially defease \$56,850,000 of its Tax-Exempt System Enterprise Revenue Bonds, Series 2005B, and 2007A, and fully defease Series 2003B. The defeased debt had interest rates ranging from 4.625 percent to 5.25 percent, and the new debt has interest rates ranging from 4.42 to 5.00 percent. The remaining term of the debt was 25 years and the estimated debt service cash flows decreased by \$6,121,648. The defeasance resulted in an economic gain of \$3,493,480 a book loss of \$7,506,232 that will be amortized as an adjustment of interest expense over the remaining 23 years of the new debt.

The Board of Governors of the Colorado State University System issued \$5,340,000 of its Taxable System Enterprise Refunding Revenue Bonds, Series 2012C to fully defease \$5,055,000 of its Tax-Exempt System Enterprise Refunding and Improvement Revenue Bonds, Series 2003A. The defeased debt had an interest rate of 5.06 percent, and the new debt has an interest rate of 1.48 percent. The remaining term of the debt was 5 years and the estimated debt service cash flows decreased by \$280,365. The defeasance resulted in an economic gain of \$370,670 and a book loss of \$111,956 that will be amortized as an adjustment of interest expense over the remaining 5 years of the new debt.

The Board of Trustees of the University of Northern Colorado issued \$41,690,000 of its 2.00 - 5.00 percent Auxiliary Facilities System Revenue Refunding Bonds, Series 2011A, to current refund \$46,040,000 of its 3.00 -5.50 percent Auxiliary Facilities System Revenue Refunding and Improvement Bonds, Series 2001. The refunded debt had an interest of 5.04 percent, and the new debt has an interest rate of 3.70 percent. The remaining term of the debt was unchanged at 20 years and the estimated debt service cash flows decreased by \$9,319,293. The refunding resulted in an economic gain of \$4,539,354 and a book loss of \$1,795,767 that will be amortized as an adjustment of interest expense over the remaining 20 years of the new debt.

The Board of Trustees of University of Northern Colorado issued \$21,130,000 of its Variable Rate Demand Institutional Enterprise Revenue Refunding Bonds, Series 2011B to current refund \$22,590,000 of the 3.375-5.375 percent Colorado Educational and Cultural Facilities Authority, Student Housing Revenue Bonds, Series LLC 2001A acquired with the purchase of Arlington Park LLC (see Note 29). The refunded debt had an interest rate of 5.07 percent, and the new debt has a variable interest rate, initially set at the Moody's and Standard & Poor's index rate plus 0.70 percent. The remaining term of the debt was reduced from 26 to 25 years and the estimated debt service cash flows decreased by \$8,848,340. The refunding resulted in an economic gain of \$3,954,295 and a book loss of \$1,303,398 that will be amortized as an adjustment of interest expense over the remaining 25 years of the new debt.

The Board of Trustees of Western State College issued \$6,180,000 of its Institutional Enterprise Revenue Refunding Bonds, Series 2011A, and \$6,550,000 of Institutional Enterprise Revenue Refunding Bonds (Taxable), Series 2011B to fully defease \$7,130,000 of its Auxiliary Facilities System Refunding Bonds, Series 2003A and \$6,270,000 of its Auxiliary Facilities System Improvement Bonds, Series 2003B. The defeased debt has an interest rate of 4.66 percent, and the new debt had an interest rate of 3.10 percent. The remaining term of the debt was 13 years and the estimated debt service cash flows decreased by \$675,638. The defeasance resulted in an economic gain of \$318,617 and a book loss of \$1,321,383 that will be amortized as an adjustment of interest expense over the remaining 13 years of the new debt.

The Board of Trustees of Colorado Mesa University issued \$9,720,000 of its Auxiliary Facility System Enterprise Revenue Bond Series, 2011BC to fully defease \$8,800,000 of its Auxiliary Facility System Enterprise Revenue Bonds, Series 2003B. The defeased debt had an interest rate of 5.17 percent, and the new debt has an interest rate of 2.63 percent. The remaining term of the debt was 10 years and the estimated debt service cash flows decreased by \$277,720. The defeasance resulted in an economic gain of \$371,643 and a book loss of \$1,436,008 that will be amortized as an adjustment of interest expense over the remaining 10 years of the new debt.

The Board of Trustees of Colorado Mesa University issued \$19,315,000 of its Enterprise Revenue Bond, Series 2012A to fully defease \$18,080,000 of its Auxiliary Facility System Enterprise Revenue Bonds, Series 2005. The defeased debt had an interest rate of 4.87 percent, and the new debt has an interest rate of 3.22 percent. The remaining term of the debt was 24 years, and the estimated debt service cash flows decreased by \$2,921,908. The defeasance resulted in an economic gain of \$742,085 and a book loss of \$2,253,389 that will be amortized as an adjustment of interest expense over the remaining 22 years of the new debt.

NOTE 27 – POLLUTION REMEDIATION OBLIGATIONS

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

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

The State's total amount of pollution remediation obligations as of June 30, 2012 was \$154.0 million (\$3.3 million of which was a current liability). Superfund sites account for approximately \$153.5 million (\$2.8 million of which was a current liability) of the State's total pollution remediation obligation. Other pollution obligations of the State include remediation activities related to asbestos abatement and removal, land contamination, and leaking underground storage tanks. Individually significant pollution remediation obligations are disclosed below:

DPHE recorded a liability for remediation activities at the Summitville Mine of approximately \$70.1 million related to the operation of a water treatment plant. The new water treatment plant was completed in Fiscal Year 2011-12, and the operating and maintenance costs of the new plant are to be shared with the Environmental Protection Agency (EPA) in a costsharing ratio of 10 percent State, 90 percent EPA. Beginning in calendar year 2023, the State will assume 100 percent of the operating costs of the new plant. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact operating costs. As of June 30, 2012, the State has received \$8.3 million in recoveries from other responsible parties.

- DPHE recorded a liability for remediation activities in the Clear Creek Basin of approximately \$51.3 million related to a number of inactive precious metal mines that caused contamination in surface water and soil in the basin. The liability includes remediation and site activities, projected post-remediation operating and monitoring costs, the State operation of an existing water treatment plant, and operation of a new water treatment plant whose construction is expected to commence in 2013. Current operating and maintenance costs are borne 100 percent by the State. Beginning in 2016, the department will share these costs with the EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA for 10 years, after which time the State assumes 100 percent of the costs. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.
- DPHE recorded a liability for remediation activities at the Captain Jack Mill of approximately \$6.2 million related to the clean-up of contamination from mine waste piles and drainage. The EPA and the State have agreed upon a remediation plan from a recently completed engineering study. The State will be liable for a share of construction costs for a water treatment plant as well as future operating and maintenance costs in a cost-sharing ratio of 10 percent State, 90 percent EPA for the first 10 years, after which time the State assumes 100 percent of the costs. Plant construction cost estimates were based upon an engineering study and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs. The State is currently investigating an experimental alternative that, if successful, would eliminate the need to construct the treatment plant.
- DPHE recorded a liability for remediation activities at the Nelson Tunnel of approximately \$16.6 million related to the clean-up of contamination from mine waste piles and drainage. The liability includes the construction of a water treatment plan from 2014 to 2016. The State will be liable for a share of construction costs for a water treatment plant as well as future operating and maintenance costs in a cost-sharing ratio of 10 percent State, 90 percent EPA until 2027, after which time the State assumes 100 percent of the costs. Plant construction cost estimates were

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

NOTE 28 – DEFERRED OUTFLOWS OF RESOURCES

NOTE 28 – DERIVATIVE INSTRUMENTS

On March 5, 2008, the Colorado School of Mines entered into an interest rate swap agreement in connection with its Variable Rate Demand Enterprise Refunding Revenue Bonds Series 2008A debt issuance. The swap agreement was not terminated with the refunding of the Series 2008A bonds by the Series 2010A bonds (see Note 26). This agreement continues to qualify as a hedging derivative instrument per GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments. Changes in the fair value of hedging derivative instruments are reported as either deferred inflows or deferred outflows of resources in the *Statement of Net Position*, and accordingly, the State recognized a Deferred Outflow of Resources of \$5.0 million as of June 30, 2012.

The Swap Agreement is a cash flow hedge and was entered into with the objective of protecting against the potential of rising interest rates on existing variable rate revenue bonds. The Agreement, with an original notional amount of \$43.2 million and current notional amount of \$41.9 million, provides for net settlement payments to or from Morgan Stanley equal to the difference between the Agreement's fixed rate of 3.59 percent (payable by the School) and 67 percent of the one-month British Bankers' Association London Interbank Offering Rate (payable by Morgan

Stanley), which was 0.16 percent at June 30, 2012. Cash flows between the parties are settled on the net difference. The market value to Colorado School of Mines as of June 30, 2012 was \$13.0 million liability as determined by Morgan Stanley, counterparty to the Swap Agreement. The Agreement has an effective date of March 5, 2008, and a termination date of December 1, 2037. The derivative is reported under Noncurrent Liabilities on the *Statement of Net Position*.

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

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

NOTES 29 Through 32 - DETAILS OF NET POSITION AND FUND EQUITY

NOTE 29 – PRIOR PERIOD ADJUSTMENTS AND ACCOUNTING CHANGES

A. PRIOR PERIOD ADJUSTMENTS

The beginning net position of the Governmental Activities on the government-wide *Statement of Activities* increased by \$335,258,608 due to the following adjustments:

- An increase of \$564,282,353, when the Department of Transportation capitalized assets to correct errors in from prior years. This correction does not affect the fund-level statements, but it is reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances Reconciled to Statement of Activities.
- A decrease of \$259,055,863 when the Division of Parks, formerly a portion of a nonmajor governmental fund, that is no longer reported, was merged with the Division of Wildlife, a nonmajor enterprise fund, to form a new Division of Parks and Wildlife. The transfers of assets, liabilities and fund balances related to governmental activities comprises the following:
 - A decrease of \$211,811,470 when capital assets related to the Division of Parks were transferred to the new Division of Parks and Wildlife. This adjustment appears only on the government-wide Statement of Activities since the related assets and liabilities were not reported in the funds. The adjustment is reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances Reconciled to Statement of Activities.
 - A decrease of \$47,244,393, when assets and liabilities were transferred to the new Division. Of this amount, \$25,385,899 was from the Other Special Purpose General Fund, \$19,188,409 was from the Resource Management Fund, a nonmajor special revenue fund, and \$2,670,085 was from the Resource Extraction Fund, a major governmental fund. These transfers also affect the beginning fund balances on the fund-level Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds.
- A decrease of \$2,837,860 in the Department of Health Care Policy and Financing related to an Office of the Inspector General (OIG) federal audit. The OIG determined that the State overdrew federal funds for administrative costs from Federal Fiscal Year 1998 through Federal Fiscal Year 2006. This amount also decreased the beginning fund balance of the Tobacco Impact Mitigation Fund, reported within a nonmajor Other Special Revenue Fund in the fund-level Statement of Revenue, Expenditures and Changes in Fund Balances Governmental Funds.

- A decrease of \$343,014 when the Department of Personnel & Administration paid Western State College in the amount of \$184,565 and Adams State College in the amount of \$158,449, to assume responsibility for claims and liabilities in the Worker's Compensation Fund, that would have otherwise been current liabilities of the fund in Fiscal Year 2011-12. These transactions had no effect on the Higher Education Institutions Enterprise Fund because these institutions received a cash equivalent to the newly assumed current liability. These adjustments decreased the beginning fund balance of the Risk Management Special Purpose Fund reported within the fund-level Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.
- A decrease of \$362,397 when the Department of Personnel & Administration paid Fort Lewis College in the amount of \$306,572, Adams State College in the amount of \$34,678, and Colorado Mesa University, in the amount of \$21.147, to assume responsibility for claims and liabilities in the General Liability Fund, that would have otherwise been current liabilities of the fund in Fiscal Year 2011-12. These transactions had no effect on the Higher Education Institutions Enterprise Fund because these institutions received a cash equivalent to the newly assumed current liability. These adjustments decreased the beginning fund balance of the Risk Management Special Purpose Fund reported within the fund-level Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.
- An increase of \$29,570,789 when the State Land Board, within the Department of Natural Resources, failed to record deferred gains in the prior year associated with non-simultaneous exchanges on assets held in trust. This adjustment also increases the beginning fund balance for the State Lands Fund, a nonmajor permanent fund within the fund-level Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds.
- An increase of \$4,557,076 when the Judicial Branch failed to capitalize labor costs related to in-house software projects in prior years. This adjustment did not affect any of the fund-level financial statements, but it reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances Reconciled to Statement of Activities.
- A decrease of \$201,430 when the Department of Health Care Policy and Financing determined that the Nursing Home Provider Fee revenues in prior years had been overstated. This adjustment also decreases the beginning fund balance of the Other Special

Purpose Fund portion of the General Fund on the fundlevel Statement of Revenues, Expenditures and Changes in Fund Balances and the General Fund Schedule of Revenues, Expenditures, and Changes in General Fund.

- An increase of \$485,055 when CollegeInvest, a nonmajor enterprise fund, failed to record a transfer to the General Fund during Fiscal Year 2010-11. Had this transfer been made, it would have increased the amount of General Fund Surplus that was statutorily transferred to the State Education Fund at the end of that year. This correction increases the beginning fund balance for the State Education Fund, a major governmental fund on the fund-level Statement of Revenue, Expenditures and Changes in Fund Balances and combining Statement of Cash Flows-Proprietary Funds.
- A decrease of \$836,101 when the Department of Labor restated receivable balances that had been written off in prior years. This reinstatement also decreases the beginning fund balances of the Labor Fund, a nonmajor special revenue fund on the fund level Statement of Revenues, Expenditures and Changes in Fund Balances.

The beginning net position of the Business-Type Activities on the government-wide *Statement of Activities* increased by \$254,570,304 due to the following adjustments:

- An increase of \$259,055,863 when the Division of Parks, formerly a nonmajor governmental fund, that is no longer reported, was consolidated with the Division of Wildlife, a nonmajor enterprise fund to form a new Division of Parks and Wildlife. The transfers also affects the beginning net position on the fund-level Statement of Revenues, Expenses, and Changes in Net Position and also requires an increase of beginning cash balance of \$43,299,459 on the Statement of Cash Flows-Proprietary Funds.
- A decrease of \$4,000,504 when the University of Northern Colorado issued Variable Rate Demand Institutional Enterprise Refunding Bonds (Series 2011B) to purchase Arlington Park Student Housing Facility and dissolved the University of Northern Colorado Student Housing LLC, a related organization. The refunding resulted in a loss for the University. This adjustment also decreased the beginning net position of the Higher Education Institutions on the fund-level Statement of Net Position – Proprietary Funds. It required an increase to beginning cash of \$3,688,624 on the Statement of Cash Flows- Proprietary Funds.
- A decrease of \$485,055 when CollegeInvest failed to record a transfer to the General Fund during Fiscal Year 2010-11. This adjustment reduces the beginning net position of CollegeInvest, a nonmajor enterprise fund on the fund-level Statement of Revenues,

Expenses and Changes in Net Position – Proprietary Funds. This correction also reduces beginning cash by the same amount on the Statement of Cash Flows-Proprietary Funds.

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

- The beginning fund balance of the nonmajor Other Special Revenue Fund increased by \$2,519,321 when the Department of Public Health and Environment transferred fund balances of the Waste Tire Cleanup Fund, a component of the Environment and Health Protection Fund, a nonmajor special revenue fund, into the Process and End Users Fund, a portion of the Other Special Revenue Funds. This activity also decreases by the same amount the beginning fund balance of the Environmental and Health Protection Fund.
- The beginning fund balance of the Other Special Purpose Fund, a portion of the Special Purpose General Funds, increased by \$18,916 when the Department of Public Health and Environment transferred a portion of the fund balance in the Process and End Users Fund, to the Advance Technology Fund, a portion of the Other Special Purpose Fund.

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

NOTE 30 – FUND EQUITY

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

(Amounts in Thousands)

| | | Restricted Purposes | | ommitted Purposes | | igned poses |
|--|----|------------------------|----|----------------------|----|----------------|
| GENERAL FUND: | | | | | | |
| General Government | \$ | 283,339 | \$ | 307,596 | \$ | 20 |
| Business, Community and Consumer Affairs Education | | - 215,977 | | 12,153 | | - |
| Health and Rehabilitation | | 213,977 | | 1,651 1,145 | | - |
| Justice | | 2,219 | | 1,145 | | - |
| Natural Resources | | - | | 151 | | _ |
| Social Assistance | | 7,123 | | 8,199 | | - |
| Transportation | | - | | _ | | _ |
| TOTAL | \$ | 508,658 | \$ | 330,895 | \$ | 20 |
| | | <u> </u> | | | | |
| RESOURCE EXTRACTION: | | | | | | |
| General Government | \$ | - | \$ | 332,776 | \$ | - |
| Business, Community and Consumer Affairs | | - | | 99,308 | | - |
| Education | | - 12 / 75 | | 15,943 | | - |
| Natural Resources | | 13,675 | | 421,622 | | |
| TOTAL | \$ | 13,675 | \$ | 869,649 | \$ | |
| HIGHWAY USERS TAX: | | | | | | |
| General Government | \$ | 8,077 | \$ | 10,484 | \$ | - |
| Health and Rehabilitation | | - | | 1,344 | | - |
| Justice | | - | | 66 | | - |
| Transportation | | 1,168,192 | | 26,360 | | - |
| TOTAL | \$ | 1,176,269 | \$ | 38,254 | \$ | - |
| CAPITAL PROJECTS: | | | | | | |
| General Government | \$ | 1,596 | \$ | 30,659 | \$ | _ |
| Education | | 5,548 | | 2,132 | | - |
| Justice | | 12,813 | | 4 | | - |
| TOTAL | \$ | 19,957 | \$ | 32,795 | \$ | _ |
| STATE EDUCATION: | | | | | | |
| Education | \$ | 194,753 | \$ | - | \$ | - |
| TOTAL | \$ | 194,753 | \$ | | \$ | |
| OTHER COMERNMENTAL FUNDS | | | | | | |
| OTHER GOVERNMENTAL FUNDS: General Government | \$ | 108,620 | \$ | 177,135 | \$ | |
| Business, Community and Consumer Affairs | Φ | 18,510 | Ф | 231,432 | Φ | - |
| Education | | 63,302 | | 7,230 | | _ |
| Health and Rehabilitation | | 11,120 | | 93,483 | | _ |
| Justice | | 17,826 | | 131,160 | | _ |
| Natural Resources | | 3,203 | | 6,845 | | _ |
| Social Assistance | | 624 | | 43,864 | | _ |
| Transportation | | 37,591 | | - | | - |
| TOTAL | \$ | 260,801 | \$ | 691,146 | \$ | _ |
| | - | | | 2 , | | |

NOTE 31 – STABILIZATION ARRANGEMENTS

In accordance with C.R.S. 24-75-201.1(d) the State maintains a General Purpose Revenue Fund statutory reserve for purposes of budget stabilization. The reserve is calculated as four percent of General Purpose Revenue Fund appropriations. C.R.S. 24-75-201.5(1)(a) further requires the Governor to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. In conjunction with the Governor's actions to reduce expenditures, the legislature has traditionally taken action to use the reserve. Historically, the statutory reserve has only been expended during recessionary periods when other budget measures have been exhausted. In Fiscal Year 2011-12 there was no use of the reserve. As of June 30, 2012, on a legal budgetary basis and on a GAAP basis the reserve was \$281.1 million - 4.0 percent of appropriated expenditures.

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

NOTE 32 – MINIMUM FUND BALANCE POLICIES

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

Pursuant to Rule 8.2003.D the Hospital Provider Fee Oversight Advisory Board has established a reserve of four percent of the estimated expenditures for the Hospital Provider Fee Cash Fund plus any interest accrued by the fund. For Fiscal Year 2011-12 the reserve was \$9.4 million. The reserve acts as a buffer to minimize the need for midyear fee increases in the event that expenditures are higher than estimated. The minimum fund balance is reported as Committed in the nonmajor Health and Environmental Protection Fund.



NOTE 33 – INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at June 30, 2012, were:

.

| | General Fund | Resource Extraction | Highway Users Tax | Capital Projects | State Education Fund |
|---|------------------------------|------------------------|-------------------------|---------------------|----------------------------|
| SELLER'S/LENDER'S RECEIVABLE | | | | | |
| MAJOR FUNDS: | | | | | |
| General Fund General Purpose Special Purpose Resource Extraction Highway Users | \$ 225 5,277 95 390 | \$ 19 - - | \$ 539 - 4 | \$ - 102 | \$ - - - |
| Capital Projects | 370 | | - | - | |
| Regular Capital Projects State Education Higher Education Institutions | 59,000 3,021 | - - 264 | - - 117 | - - - | - - 85 |
| NONMAJOR FUNDS: SPECIAL REVENUE FUNDS: | | | | | |
| Labor | 4,996 | - | - | - | - |
| Tobacco Impact Mitigation Environment and Health Protection | 683 885 | - | 34 | - | |
| Other Special Revenue | 217 | - | - | - | - |
| PERMANENT FUNDS: State Lands Trust Expendable State Lands Trust Nonexpendable | - | - | - | - - | - |
| ENTERPRISE FUNDS: | | | | | |
| CollegeInvest | - | - | - | - | - |
| Wildlife State Fair Authority | - | 2 | - | | - |
| Correctional Industries State Nursing Homes | 320 1,055 | - | - | - | - - |
| INTERNAL SERVICE FUNDS: Central Services Information Technology Highways Other Internal Service | 2 1,492 77 - | - - - - | 20 - - | - - - - | - - - - |
| FIDUCIARY FUNDS: Group Benefit Plans College Savings Plan Other Fiduciary | 20,402 - - | - - - | 7 - - | - - - | - - - |
| TOTAL | \$ 98,137 | \$ 285 | \$ 721 | \$ 102 | \$ 85 |

(Amounts in Thousands)

BUYER'S/BORROWER'S PAYABLE

| Higher Education Institutions | State Lottery | All Other Funds | Total |
|-------------------------------------|--------------------------|--------------------------------------|---------------------------------------|
| | | | |
| \$ 422 - - - | \$ - 16,153 - - | \$ 36,632 3,525 1,174 1,019 | \$ 37,837 24,955 1,375 1,409 |
| 7,465 - - | - | - - 1,663 | 7,465 59,000 5,150 |
| 3 | - | 500 622 | 5,499 1,305 |
| - | - - | 1,343 | 919 1,560 |
| - | - | 5,548 3,308 | 5,548 3,308 |
| - | - | 17 | 17 |
| 362 | 2,898 | 141 90 | 3,403 90 |
| 2,377 | - | - | 2,697 1,055 |
| 16 - - | - - - | 20 - - | 18 1,532 77 - |
| 1,216 | 9,933 | 3 4,546 | 21,628 4,546 9,933 |
| \$ 11,861 | \$ 28,984 | \$ 60,151 | \$ 200,326 |

Except for the transfer of General Fund Surplus discussed below; all of the material receivables and related payables shown in the schedule on the previous two pages are the result of normal operating activities where the receivables and payables were not liquidated before the year-end close of the State's accounting system. This represents timing differences between when generally accepted accounting principles require transactions to be recognized and when cash is actually distributed.

The State Education Fund receivable of \$59.0 million represents a partial transfer of the General Fund Surplus transfer for Fiscal Year 2011-12 required in accordance with CRS 24-75-201.1. The cash transfer will occur upon the issuance of the State's Fiscal Year 2011-12 Comprehensive Annual Financial Report in December 2012.

The Group Benefits Plan Fund receivable of \$20.4 million from the General Purpose Revenue Fund primarily represents the health insurance benefits premium portion of payroll for services provided in the fiscal year that is required by statute to be paid in the next fiscal year.

The Capital Projects Fund receivable of \$7.5 million represents the required cash contributions from the University of Colorado for its share of appropriated capital project vendor payables that were outstanding at fiscal year end.

The Special Purpose General Fund receivable of \$16.2 million consists of a receivable recorded by the Conservation Trust Fund for \$11.6 million, and in the Building Excellent Schools Today Grant Program in the amount of \$4.6 million.

The Other Fiduciary Fund receivable of \$9.9 million was recorded by the State Treasurer for the Great Outdoors Colorado Fund. These are statutory distributions of the Lottery net proceeds.

The General Purpose Revenue Fund receivable of \$36.6 million from All Other Funds includes \$20.3 million of receivables from the Limited Gaming Fund, \$5.8 million from various cash funds to support incurred Medicaid expenditures, and \$9.4 million in the State Rail Bank as required in accordance with HB 12-1343.

The Special Purpose General Fund receivable of \$5.3 million represents legislative reversions of \$2.7 million and personal services and operating line item reversions of \$2.6 million payable to the Legislative Department Cash Fund and State Employee Reserves Fund as required by HB 12-1301 and HB 12-1321 respectively.

The State Land's Trust Expendable receivable of \$5.5 million represents June's state land revenues from the State Land Board.



NOTE 34 – TRANSFERS BETWEEN FUNDS

Transfers between funds for the fiscal year ended June 30, 2012, were as follows:

| | General Fund | Resource Extraction | Highway Users Tax |
|-------------------------------------|-----------------|------------------------|-------------------------|
| TRANSFER-OUT FUND | , | | |
| MAJOR FUNDS: | | | |
| General Fund: | | | |
| General Purpose | \$ 2,696,280 | \$ - | \$ - |
| Special Purpose | 73,112 | - | - |
| Resource Extraction | 203,038 | - | - |
| Highway Users Tax | 60,863 | - | - |
| Capital Projects: | | | |
| Regular Capital Projects | 535 | - | 500 |
| Special Capital Projects | 3 | - | - |
| State Education | 1,131 | - | - |
| Higher Education Institutions | 4,949 | - | - |
| Unemployment | 2,141 | - | - |
| Lottery | 54,354 | - | - |
| NONMAJOR FUNDS: | | | |
| SPECIAL REVENUE FUNDS: | | | |
| Labor | 27,143 | _ | _ |
| Gaming | 21,398 | _ | _ |
| Tobacco Impact Mitigation | 146,080 | _ | _ |
| Resource Management | 598 | _ | _ |
| Environment and Health Protection | 629,862 | | |
| Unclaimed Property | 2,007 | _ | _ |
| Other Special Revenue | 91,717 | - | 1,665 |
| PERMANENT FUNDS: | | | |
| State Lands Trust Nonexpendable | | | |
| State Lands Trust Expendable | 117,778 | _ | _ |
| Other Permanent Trust Nonexpendable | - | - | - |
| ENTERPRISE FUNDS: | | | |
| CollegeInvest | 95 | _ | _ |
| Wildlife | 10,439 | 298 | _ |
| College Assist | 126 | 270 | _ |
| State Fair | 83 | | |
| Correctional Industries | 365 | _ | _ |
| State Nursing Homes | 1,727 | _ | _ |
| Prison Canteens | 48 | | |
| Petroleum Storage | 922 | _ | _ |
| Other Enterprise | 263 | - | - |
| INTERNAL SERVICE FUNDS: | | | |
| Central Services | 1,444 | | |
| Information Technology | 1,586 | - | - |
| Capitol Complex | 825 | - | - |
| Public Safety | 21 | | |
| Administrative Courts | 185 | - | - |
| Other Internal Service | 614 | - - | - |
| | 314 | | |
| FIDUCIARY FUNDS: | | | |
| Group Benefit Plans | 210 | - | - |
| Other Fiduciary | 104 | | |
| TOTAL | \$ 4,152,046 | \$ 298 | \$ 2,165 |
| | | | |

(Amounts in Thousands)

TRANSFER-IN FUND

| Capital Projects | | State Education | | Higher ducation stitutions | All Other Funds | TOTAL |
|---------------------|------------|--------------------|--------|----------------------------------|-----------------------|--------------------|
| | | | | | | |
| \$ | 49,298 | \$ | 59,000 | \$ 133,605 | \$ 53,183 | \$ 2,991,366 |
| | 35 | | - | - | 11,155 | 84,302 |
| | - 1,877 | | - | 14,883 | 8,471 168,559 | 226,392 231,299 |
| | 1,077 | | _ | _ | 100,557 | 231,27 |
| | 1,131 | | - | 13,716 | 18,435 | 34,31 |
| | 4,371 | | - | - | 20,657 | 25,03 |
| | - | | - | 4,971 | - | 6,10 |
| | - | - | - | - | 4,94 | |
| | - | | - | - | - 12,325 | 2,14 66,67 |
| | | | | | 12,323 | 00,07 |
| | 1,213 | | - | - | 218 | 28,57 |
| | 4,414 | | - | 6,295 | 1,105 | 33,21 |
| | 8,609 | | - | 14,364 | 4,012 75 | 173,06 67 |
| | 77 | | | | 9,210 | 639,14 |
| | - | | - | - | 375 | 2,38 |
| | 127 | | 2 | - | 838 | 94,34 |
| | 2,193 | | - | 786 | 439 | 3,41 |
| | - | | - | 115 | 38,181 | 156,07 |
| | - | | - | - | 10 | 1 |
| | - | | - | - | - | 9 |
| | - | | - | - | 225 | 10,96 |
| | - | | - | - | - | 12 |
| | - | | - | - | - | 8 |
| | - | | - | - | - | 36 1,72 |
| | 17 | | | | | 6 |
| | 153 | | _ | _ | - - | 1,07 |
| | = | | - | - | - | 26 |
| | - | | - | - | - | 1,44 |
| | - | | - | - | - | 1,58 |
| | - | | - | - | 220 | 1,04 |
| | - | | - | - | - | 2 18 |
| | - | | - | - | - | 61 |
| | - | | _ | _ | - | 21 |
| | - | | - | - | _ | 10 |
| \$ | 73,515 | \$ | 59,002 | \$ 188,735 | \$ 347,693 | \$ 4,823,45 |

In the normal course of events, the Legislature appropriates a large number of transfers between funds exercising its responsibility to allocate the State's resources to programs shown in the above schedule. The most significant of these are the transfers-out of the General Purpose Revenue Fund and into the State Public School Fund of \$2,671.8 million (a Special Purpose General Fund), and into the Higher Education Institutions of \$133.6 million (primarily for student financial aid, occupational education, and job training).

In response to continuing fiscal stress caused by revenue shortfalls, the Governor and the Legislature authorized significant nonroutine transfers totaling \$141.2 million from various funds to augment the General Purpose Revenue Fund, including transfers from various major and nonmajor funds, as follows:

Resource Extraction (major governmental fund)

- \$41.0 million from the Severance Tax Fund
- \$48.1 million from the Base Account of the Severance Tax Trust Fund
- \$30.0 million from the Mineral Leasing Fund

Nonmajor special revenue funds

- \$12.7 million from 14 funds where individual transfer amounts did not exceed \$5.0 million
- \$9.4 million from the State Rail Bank.

In addition to these General Purpose Revenue Fund transfers, other individually significant routine transfers include the following:

The Transfers-out from the General Purpose General Fund comprise \$49.3 million to fund controlled maintenance and capital projects.

Transfers-out from the special-purpose funds within the General Fund primarily comprise \$57.4 million in transfers from the Public School Fund to the Charter School Institute Fund.

Transfers-out from the General Purpose Revenue Fund to all other funds primarily include \$30.1 million to support the Children's Basic Health Plan, \$10.3 million authorized by the Governor through executive order into the Disaster Emergency Fund to cover wildfire expenditures, and \$6.7 million for deposit into the Correctional Treatment Cash Fund.

The Highway Users Tax Fund transfer-out to the General Purpose Revenue Fund includes \$48.4 million transferred to the Department of Revenue and \$7.2 million to the Department of Public Safety to support programs that generate revenue for or that provide services to the Highway Users Tax Fund.

The Highway Users Tax Fund transfer-out to All Other Funds includes \$167.8 million to the Debt Service Fund to pay debt service on Transportation Revenue

Anticipation Notes issued by the Department of Transportation.

The Lottery transfer-out to the Special Purpose General Fund primarily comprises \$49.3 million to the Conservation Trust Fund in the Department of Local Affairs as a statutory distribution of Lottery net proceeds.

The Labor transfer-out to the General Purpose Revenue Fund includes \$23.1 million from the Employment Support Fund to fund employment related activities at the Department of Labor and Employment.

The Tobacco Impact Mitigation Fund transfers-out to the General Purpose Revenue Fund includes \$123.5 million in transfers to the Department of Health Care Policy and Financing for the purchase of medical services.

The Resource Extraction transfer-out to the Special Purpose General Fund includes a \$67.6 million transfer from the Mineral Leasing Fund to the Department of Education State Public School Fund.

The Environment and Health Protection transfer-out to the General Purpose Revenue Fund includes \$619.9 million in transfers to the Department of Health Care Policy and Financing primarily from the Hospital Provider Fee Cash Fund (\$573.6 million) and the Medicaid Nursing Facility Cash Fund (\$43.5 million).

Transfers from the Other Special Revenue to the General Purpose Revenue Fund also include approximately \$82.6 million of legislatively mandated transfers to fund programs in agencies that operate primarily in the General Purpose Revenue Fund that are in addition to appropriated indirect cost transfers.

The State Lands Trust Expendable transfer-out to the General Fund includes \$117.4 million for the State Public School Fund (a Special Purpose General Fund) related to distributions to school districts and charter schools.

The State Lands Trust Expendable transfer-out of \$38.2 million went to the State Lands Trust Nonexpendable.

NOTE 35 – UNUSUAL OR INFREQUENT TRANSACTIONS

There are no unusual or infrequent transactions.

NOTE 36 – DONOR RESTRICTED ENDOWMENTS

The State's donor restricted endowments exist solely in Higher Education Institutions. The policies of individual boards govern the spending of net appreciation on investments; there is no State law that governs endowment spending. Donor Restricted endowments totaled \$10.4 million. The individually significant items are as follows:

The University of Colorado reported net appreciation on endowment investments of \$8.4 million that was available for spending. The university reported the related net position in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Position – Proprietary Funds*. The amount of earnings and net appreciation that is available for spending is based on a spending rate set annually by the Regents of the University of Colorado. In general, only realized gains can be expended; however, unrealized gains on certain endowment funds may also be expended.

Colorado State University reported \$1.34 million of net appreciation on its donor-restricted endowments held by its foundation and the full amount was available for spending. The university reported a portion of the related net position in Restricted for Permanent Funds and Endowments – Nonexpendable and a portion of the related net position in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Position – Proprietary Funds*. The payout policy of the Colorado State University Foundation governs expenditure of these funds. The policy assumes a 10 percent return on investment, a 4 to 5 percent pay out, a management fee of 1 to 2 percent, and a return to principal sufficient to preserve the purchasing power of the endowment.

NOTE 37 – PLEDGED REVENUE

Various institutions of higher education and the Highway Users Tax Fund have issued bonds, notes, and/or Certificates of Participation (COPs) for the purchase of equipment, and the construction of facilities and infrastructure. Specific user revenues are pledged for the payments of interest and future retirement of the obligations. In Fiscal Year 2011-12, the following pledges were in place:

The Department of Transportation pledged \$166.7 million of federal grants under agreement with the Federal Highway Administration and certain motor vehicle fees and taxes of the Highway Users Tax Fund to meet the debt service commitment on the agency's Tax Revenue Anticipation Notes. The debt was originally issued in Fiscal Year 1999-00 to finance the reconstruction of a portion of a major interstate highway through Denver and other infrastructure projects across the State, and it has a final maturity date of Fiscal Year 2016-17. The pledged revenue represents approximately 15.1 percent of the total revenue stream, and \$800.2 million of the pledge commitment remains outstanding.

The Department of Transportation Statewide Bridge Enterprise pledged \$106.3 million of federal highway funds, Build America Bonds, and surcharges to meet the current year interest payments on debt issued for construction activities related to the Funding Advancement for Surface Transportation and Economic Recovery (FASTER) Bridge Program. The debt was originally issued in Fiscal Year 2010-11, and has a final maturity date of Fiscal Year 2040-41. The pledged revenue represents 100 percent of the revenue stream, and \$698.1 million of the pledge commitment remains outstanding.

The Department of Labor and Employment pledged \$134.6 million of Unemployment Insurance (UI) collections to secure \$134.6 of Fiscal Year 2012-13 principal and interest on debt issued to stabilize unemployment insurance rates. The debt was originally issued in Fiscal Year 2011-12, and has a final maturity date of Fiscal Year 2016-17. The pledged revenue represents 100 percent of the revenue stream, and \$657.1 million of the pledge commitment (principal and interest) remains outstanding.

Higher Education Institutions have pledged auxiliary fees primarily related to student housing rent, and in some cases tuition, to meet the debt service commitment of their various bond issues. The debt issues involved had an earliest origination date in Fiscal Year 1995-96 and furthest maturity date of Fiscal Year 2044-45. In some instances the gross revenue of the activity is pledged and in other instances the net available revenue is pledged. Total pledged revenue of the Higher Education Institutions is approximately \$679.2 million. Individually significant Higher Education Institution pledges include:

 \$295.3 million pledged by the University of Colorado to secure \$95.7 million of current principal and interest on debt issued to finance the construction of enterprise facilities and to refund prior enterprise debt. The related debt was originally issued in Fiscal Year 1995-96 and has a final maturity date of Fiscal Year 2042-43. The pledged revenue represents approximately 52.2 percent of the revenue stream, and \$2.04 billion of the pledge (principal and interest) remains outstanding.

- \$192.9 million pledged by Colorado State University to secure \$28.2 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain recreation, research, athletic, and academic facilities. The related debt was originally issued in Fiscal Year 2002-03 and has a final maturity date of Fiscal Year 2043-44. The pledged revenue represents 100 percent of the total revenue stream, and \$1.0 billion of the pledge (principal and interest) remains outstanding.
- \$40.3 million pledged by the Colorado School of Mines to secure \$12.1 million of current principal and interest on debt issued to finance refunding of previous debt and for capital improvements. The related debt was originally issued in Fiscal Year 2012-13 and has a final maturity date of Fiscal Year 2041-42. The pledged revenue represents approximately 85.1 percent of the total revenue stream, and \$324.8 million of the pledge (principal and interest) remains outstanding.
- \$27.3 million pledged by Metropolitan State College of Denver to secure \$5.1 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain academic facilities. The related debt was originally issued in Fiscal Year 2009-10 and has a final maturity date of Fiscal Year 2040-41. The pledged revenue represents 100 percent of the total revenue stream, and \$126.2 million of the pledge (principal and interest) remains outstanding.
- \$18.0 million pledged by Colorado Mesa University to secure \$7.6 million of current principal and interest on debt issued to construct auxiliary facilities. The related debt was originally issued in Fiscal Year

- 2006-07 and has a final maturity date of Fiscal Year 2041-42. The pledged revenue represents approximately 53.9 percent of the revenue stream, and \$305.2 million of the pledge (principal and interest) remains outstanding.
- \$15.5 million pledged by the Auraria Higher Education Center to secure \$7.0 million of current principal and interest on debt issued to renovate the Student Union and to build parking structures. The related debt was originally issued in Fiscal Year 2002-03 and has a final maturity date of Fiscal Year 2028-29. The pledged revenue represents 100 percent of the total revenue stream, and \$83.7 million of the pledge (principal and interest) remains outstanding.
- \$30.8 million pledged by the University of Northern Colorado to secure \$9.5 million of current principal and interest on debt issued to finance refunding of previous debt and for improvements of auxiliary facilities. The related debt was originally issued in Fiscal Year 2004-05 and has a final maturity date of Fiscal Year 2039-40. The pledged revenue represents 37.2 percent of the total auxiliary and student fee revenue streams and also represents 10.0 percent of gross tuition revenues. \$249.1 million of the pledge (principal and interest) remains outstanding.
- \$8.8 million pledged by Colorado State University Pueblo to secure \$3.9 million of current principal and interest on debt issued to finance construction, remodeling, and acquisition of the Student Center, recreation facilities and student housing facilities. The related debt was originally issued in Fiscal Year 2003-04 and has a final maturity date of Fiscal Year 2041-42. The pledged revenue represents 47.1 percent of the revenue stream, and \$131.1 million of the pledge (principal and interest) remains outstanding.

Revenue available to meet debt service requirements is shown in the following table

(Amounts In Thousands)

| | | | Direct | Available | | | | | | |
|--------------------------------|-----------------|-----------|-------------|---------------|---------------------|-----------|----|----------|----|---------|
| | Gross | Operating | | Net | Debt Service Requir | | | irements | | |
| Agency Name | Revenue | | Expense | Revenue | | Principal | | Interest | | Total |
| Department of Transportation | \$ 1,105,452 | \$ | (938,787) | \$ 166,665 | \$ | 125,265 | \$ | 41,400 | \$ | 166,665 |
| Higher Education Institutions | 1,093,300 | | (507,761) | 585,540 | | 69,992 | | 114,914 | | 184,906 |
| Labor - Unemployment Insurance | 134,564 | | - | 134,564 | | - | | - | | - |
| Statewide Bridge Enterprise | 106,258 | | - | 106,258 | | - | | 18,234 | | 18,234 |
| | \$ 2,439,574 | \$ | (1,446,548) | \$ 993,027 | \$ | 195,257 | \$ | 174,548 | \$ | 369,805 |

NOTE 38 – SEGMENT INFORMATION

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

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

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

The following page presents condensed financial information for the State's segments.

CONDENSED STATEMENT OF NET POSITION JUNE 30, 2012

| | UNIVERSITY OF COLORADO | | A HIGHER ON CENTER |
|---|--|-----------------------------------|---------------------------------|
| (DOLLARS IN THOUSANDS) | UNIVERSITY PHYSICIANS INCORPORATED | PARKING FACILITIES | STUDENT FACILITIES |
| ASSETS: Current Assets Other Assets Capital Assets | \$ 137,622 96,809 43,113 | \$ 9,236 5,068 33,434 | \$ 9,260 326 28,910 |
| Total Assets LIABILITIES: Current Liabilities Noncurrent Liabilities | 277,544 34,673 16,451 | 47,738 2,307 29,061 | 38,496 4,446 26,257 |
| Total Liabilities NET POSITION: Net Investment in Capital Assets Restricted Net Position Unrestricted | 51,124 25,756 - 200,664 | 31,368 2,952 4,459 8,959 | 30,703 1,450 152 6,191 |
| Total Net Position | \$ 226,420 | \$ 16,370 | \$ 7,793 |

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2012

| OPERATING REVENUES: Tuition and Fees Sales of Goods and Services Other Total Operating Revenues | \$ | 470,568 - 470,568 | \$ 9,513 - 9,513 | \$ 5,957 21,433 53 27,443 |
|--|----|--------------------------------|------------------------------|------------------------------------|
| OPERATING EXPENSES: Depreciation Other | | 3,145 447,523 | 1,667 7,141 | 2,016 22,589 |
| Total Operating Expenses | | 450,668 | 8,808 | 24,605 |
| OPERATING INCOME (LOSS) | | 19,900 | 705 | 2,838 |
| NONOPERATING REVENUES AND (EXPENSES): Investment Income Other Nonoperating Revenues Debt Service Other Nonoperating Expenses | | 5,042 83 (57) (8,679) | 265 - (1,620) (425) | 36 - (1,313) - |
| Total Nonoperating Revenues(Expenses) | | (3,611) | (1,780) | (1,277) |
| CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS: Transfers-In | | - | - | (2,980) |
| Total Contributions, Transfers, and Other | | - | - | (2,980) |
| CHANGE IN NET POSITION | | 16,289 | (1,075) | (1,419) |
| TOTAL NET POSITION - FISCAL YEAR BEGINNING (Restated) | 1 | 210,131 | 17,445 | 9,212 |
| TOTAL NET POSITION - FISCAL YEAR ENDING | \$ | 226,420 | \$ 16,370 | \$ 7,793 |

CONDENSED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2012

| NET CASH PROVIDED (USED) BY: Operating Activities Noncapital Financing Activities Capital and Related Financing Activities Investing Activities | \$ 18,315 (8,679) (2,060) (29,127) | \$ 2,059 - (4,468) 2,353 | 4,798 (2,979) (3,114) 38 |
|---|--|--------------------------------------|-----------------------------------|
| NET INCREASE (DECR.) IN CASH AND POOLED CASH CASH AND POOLED CASH, FISCAL YEAR BEGINNING | (21,551) 66,440 | (56) 8,879 | (1,257) 7,274 |
| CASH AND POOLED CASH, FISCAL YEAR ENDING | \$ 44,889 | \$ 8,823 | \$ 6,017 |

NOTE 39 – COMPONENT UNITS

The State reports nine component units under the requirements of Governmental Accounting Standards Board (GASB) Statements No. 14 – The Financial Reporting Entity, Statement No. 39 – Determining Whether Certain Organizations Are Component Units, and Statement No. 61 – The Financial Reporting Entity: Omnibus-an amendment to GASB Statements No. 14 and No. 34. The State's component units are separated into major, and nonmajor below. Financial statements for the major component units are presented in the Basic Financial Statements and for the nonmajor component units in the Supplementary Section of the Comprehensive Annual Financial Report.

A. MAJOR COMPONENT UNITS

University Hospital is a nonsectarian, general acute care regional hospital, licensed for 407 beds with five outpatient primary care clinics, and six specialty care clinics operated by the University of Colorado Hospital Authority (UCHA). It includes the Anschutz Centers for Advanced Medicine, and is the teaching hospital of the University of Colorado Denver (UCD), a State institution of higher education. The hospital's mission is to advance healthcare for patients and their families through healing, discovery, and education. UCHA is exempt from federal income tax under Internal Revenue Code Section 115 (as a governmental entity) and under Section 501(c)(3) as a not-for-profit entity.

The Colorado Water Resources and Power Development Authority's purpose is to initiate, acquire, construct, maintain, repair, and operate, or cause to be operated, projects for the protection, preservation, conservation, upgrading, development, and utilization of the water resources of the State. The authority is authorized to issue bonds, notes, or other obligations which constitute its debt and not the debt of the State of Colorado. The authority's primary revenue sources are income from invested bond proceeds, interest on loans made to local governments from bond proceeds, administrative charges on the loans, and EPA grants. The authority paid the State \$7.4 million during 2011 for services provided by two State departments.

The University of Colorado Foundation was incorporated in 1967 and is authorized by the Board of Regents of the University of Colorado to solicit, receive, hold, invest, and transfer funds for the benefit of the University of Colorado. The foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Service Code and is exempt from income tax on related income. In Fiscal Year 2010-11, it received \$5.1 million of fund raising fee revenue from the University of Colorado under an annually renewable Agreement for Development Services.

For the fiscal year ended June 30, 2011, the foundation distributed \$98.4 million of gifts and income to or for the benefit of the University of Colorado.

The Colorado State University Foundation is a not-for-profit tax-exempt organization, as described in Section 501(c)(3) of the Internal Revenue Service Code, and was incorporated in 1970 to assist in the promotion, development, and enhancement of the facilities and educational programs and opportunities of the faculty, students, and alumni of Colorado State University. This is accomplished through receiving, managing, and investing gifts. Principal or income from these gifts and contributions is used for charitable, scientific, literary, or educational purposes, which will directly or indirectly aid and benefit Colorado State University. During Fiscal Year 2010-11, the foundation transferred \$23.8 million to the University.

The Colorado School of Mines Foundation is a not-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.

B. NONMAJOR COMPONENT UNITS

The Denver Metropolitan Major League Baseball Stadium District currently includes all or part of the seven counties in the Denver metro area. The district was created for the purpose of acquiring, constructing, and operating a major league baseball stadium. To accomplish this purpose, the General Assembly authorized the district to levy a sales tax of one-tenth of one percent throughout the district for a period not to exceed 20 years. However, the district discontinued the sales tax levy on January 1, 2001, after it defeased all outstanding debt.

CoverColorado is a not-for-profit public entity created to provide access to health insurance for those Colorado residents who are unable to obtain health insurance, or are unable to obtain health insurance except at prohibitive rates or with restrictive exclusions. Legislation enacted in 2001 authorized the CoverColorado board of directors to assess a special fee against insurers for the financial solvency of the program. In March 2010 with the passage of the Patient Protection and Affordable Care Act, the need for high risk insurance pools such as CoverColorado will be eliminated. CoverColorado will likely only exist through early 2014.

The Venture Capital Authority (VCA) was established in the 2004 legislative session as a means to create new business opportunities in the State and stimulate economic growth by making seed and early-stage venture capital funds available to small businesses throughout Colorado. The legislation allocated the authority \$50.0 million of insurance-premium tax credits, which it subsequently sold to insurance companies. The VCA deferred the revenue related to sale and recognizes it as the insurance companies apply the credits over a ten-year period. The related revenue is reported as Gifts and Donations on the *Statement of Revenues, Expenses, and Changes in Net Assets - Component Units* to reflect the contribution of capital by the State.

In 2005, the authority created Colorado Fund I, LP with a portion of the proceeds from the sale of premium tax credits. The VCA has committed to providing up to \$21.8 million to Colorado Fund I, LP thru June 2015 (unless otherwise terminated) for investment in businesses meeting criteria established by the authority, specifically including businesses in the life sciences, information technology, agritechnology and medical device industries, and retail. As of December 31, 2010, the VCA has contributed approximately \$19.0 million or 87 percent of its total funding commitment to Colorado Fund I, LP.

In 2010 the authority created Colorado Fund II, LP and has committed to providing up to \$25.4 million over the term of the fund (through December 2019 unless otherwise terminated). As of December 31, 2010, the VCA has contributed approximately \$1.4 million or 5 percent of its total funding commitment to Colorado Fund II, LP.

In August 2010, the Board of Trustees of the Metropolitan State College of Denver established the HLC @ Metro, Inc. as a non-profit entity to provide for the financing, construction, operation, and management of the Hotel and Hospitality Learning Center at Metro State. The facility includes a fully functioning hotel and learning laboratory for the college's Hospitality, Tourism, and Events department. The construction is being financed though \$54.9 million in bond issuances (see Note 24), with 75 percent of the debt service estimated to be covered by hotel operations and the remainder from fundraising, further supported by the college's unconditional guarantee. The hotel is expected to open in August 2012.

NOTE 40 – RELATED PARTIES AND ORGANIZATIONS

The Colorado State University - Pueblo Foundation was established to benefit Colorado State University - Pueblo. The foundation transferred \$1.4 million to the university during Fiscal Year 2011-12 and owed the university \$1.4 million at June 30, 2012.

The Adams State College Foundation provides scholarships and work-study grants to students, provides funding for athletics and administration, as well as providing program development grants to Adams State College. The foundation provided \$1.0 million in scholarships and grants during Fiscal Year 2011-12.

The Colorado Mesa University Foundation provides financial assistance to Colorado Mesa University students and assists the university in serving educational needs. In Fiscal Year 2011-12, the foundation awarded \$573,001 of scholarships directly to Colorado Mesa University students and provided approximately \$4.0 million in property.

Metropolitan State College of Denver Foundation, Inc. was organized and is operated to promote the general welfare of Metropolitan State College of Denver. The foundation provided \$2.3 million of funding to the college in Fiscal Year 2011-12. The foundation also reimbursed the college \$210,643 for services provided by college employees in Fiscal Year 2011-12. At June 30, 2012, the foundation owed the college \$272,395. As of this date, the college also had payables to the foundation of \$15,246.

Western State College Foundation was established to aid Western State College in fulfilling its educational mission. The foundation transferred \$6.2 million to the college in Fiscal Year 2011-12.

Most of the State's community colleges have established foundations to assist in their educational missions. With the exception of Pueblo Community College, none of these foundations made annual transfers to their related community colleges in excess of \$500,000. The Pueblo Community College Foundation provided Pueblo Community College \$1.3 million in the form of scholarships, rental properties, construction funds and discretionary funds.

The University of Northern Colorado Foundation is a notfor-profit corporation established to promote the welfare, development and growth of the University of Northern Colorado. The University received approximately \$6.0 million in non-governmental grants and contract revenue from the foundation. At June 30, 2012 the Foundation owed \$1.2 million to the University.

The Fort Lewis College Foundation provides gifts, scholarships, and capital donations to Fort Lewis College. The foundation provided \$1.8 million in support during Fiscal Year 2011-12. At June 30, 2012, the foundation owed the college \$110,355.

The Great Outdoors Colorado Board (GOCO) is a constitutionally created entity whose purpose is to administer the GOCO Program and Trust Fund. The purpose of the program is to promote the wildlife and outdoor recreation resources of the State using funds it receives from the Colorado Lottery. During Fiscal Year 2011-12, the board funded \$23.7 million of wildlife and parks programs at the Department of Natural Resources. At June 30, 2012,

GOCO owed the Department of Natural Resources \$8.5 million.

Colorado Housing Finance Authority (CHFA) is a related party to the State in three different activities as follows:

- The Colorado Housing Finance Authority Bond Program supports existing programs administered by CHFA that provide loans to small businesses, farms and ranches within the State of Colorado. CHFA operates these programs in coordination with the U.S. Small Business Administration, the Farm Service Agency, and the U.S. Rural Business Cooperative Service. The Department of Treasury holds five CHFA bonds purchased from 2003 through 2007 with a face value of \$8.6 million as of June 30, 2012, and a total original face value of \$24.2 million. The Department receives monthly payments from CHFA for all principal payments and interest collected by the Authority. On bond maturity dates ranging from 2023 through 2031, the Department of Treasury will receive any unpaid principal balance of the bonds, plus all accrued and unpaid interest.
- CHFA acts as the fiscal agent for the Governor's Energy Office State Energy Plan grant that provides loans as a conduit issuer in an exchange transaction for energy efficiency or renewable energy projects.
 CHFA retains an annual loan servicing fee of 0.05 percent on the outstanding principal balance of each loan. A total of \$17.2 million has been transferred to CHFA.
- Under CRS 8-77-103.5 CHFA is authorized "...to issue bonds and notes as are necessary to maintain adequate balances in the unemployment compensation fund or to repay moneys advanced to the State from the Federal Unemployment trust fund, or both." On June 28, 2012, as a conduit issuer in an exchange transaction, CHFA issued Colorado Unemployment Compensation Fund Special Revenue Bonds with a par value of \$624,805,000. Bond payments are funded by employers' unemployment insurance premiums.

Component Units

The University of Colorado Hospital Authority and the University of Colorado Denver (UCD) had previously developed and received approval for an Institutional Master Plan to create a new academic health sciences center on the Anschutz Medical Campus. An original ground lease, entered into in 1998 for a period of 30 years, provided for approximately 18.4 acres of property acquired by the University of Colorado Regents from the U.S. Department of Education pursuant to a quitclaim deed. Subsequent agreements between the parties have provided additional land to the hospital to continue the development of the Anschutz Medical Campus allowing

the hospital to expand its facilities with an office tower, parking garage, inpatient tower, and additional staff and patient parking. The hospital is planning to continue development with a second inpatient tower and parking garages on its current leased space to meet growing demand for inpatient services.

Under an Operating Agreement between the University of Colorado Regents and the University of Colorado Hospital Authority dated July 1, 1991, the Regents have entered into contracts with the hospital for the provision of services in support of programs and operations of the hospital. The hospital paid approximately \$32.9 million for these services in Fiscal Year 2010-11. Other contracts with the Regents for services that include clinic services, research projects, infrastructure expense, and other items resulted in payments by the University of Colorado Denver (UCD) to the hospital of approximately \$2.4 million in Fiscal Year 2010-11. In total, the UCD paid the hospital \$10.4 million in Fiscal Year 2010-11.

The hospital has contracted with University Physicians, Inc., a blended component unit of the State's Higher Education Institutions Fund to provide support for faculty administrative services and recruitment support. The hospital passed through \$5.0 million of government external funds and paid UPI an additional \$51.0 million for services in Fiscal Year 2010-11.

The hospital leases certain employees to the Adult Clinical Research Center (CRC), a related party, at full cost and provides overhead and ancillary services for CRC patients. Charges of approximately \$4.5 million were billed to CRC for the cost of these services during Fiscal Year 2010-11. The amount due from University of Colorado Denver, including CRC, was \$0.4 million at June 30, 2011.

The hospital entered certain provider and network management agreements with TriWest. TriWest was formed to deliver health care services to eligible beneficiaries of TriCare, formerly known as CHAMPUS - the Civilian Health and Medical Program of the Uniformed Services. On June 27, 1996, the U.S. Department of Defense awarded TriWest the TriCare contract for a five-year period that began April 1997. The contract was renewed and includes a transition period plus five one-year option periods for healthcare delivery beginning April 1, 2010. As part of the agreements, the hospital originally purchased a minority interest in TriWest for approximately \$3.3 million. It subsequently sold 1,656.55 shares in October 2007 to TriWest for approximately \$18.1 million. The investment in TriWest is accounted for under the cost method. The hospital received dividends of approximately \$0.6 million in July

In July 2010, the hospital entered into an agreement with University Physicians, Inc. (UPI) and the University of Colorado Denver (UCD) to begin a self-insurance trust

called Colorado Health and Welfare Trust. (Voluntary Employee Benefits Association Trust). The trust is managed by a third-party administrator to provide healthcare coverage for employees of UPI, UCD and University of Colorado Hospital and their dependents. In Fiscal Year 2010-11 the hospital paid premiums of \$22.0 million and on June 30, 2011 recorded a liability of \$2.3 million for its share of costs in excess of premiums paid.

The hospital and two other entities participate in Colorado Access, a Colorado not-for-profit corporation that owns and operates a statewide HMO to provide services to medically underserved Coloradoans. There are no earning distribution agreements between Colorado Access and the hospital. In August 2001 the hospital entered into an agreement to loan Colorado Access \$625,000. The principal and interest were originally due on or before August 24, 2004, but the hospital wrote down all of the accrued interest and \$600,000 of the principal in 2006 due to uncertainty of repayment. Colorado Access is unable to specify a repayment timeline due to ongoing negotiations with the Colorado Division of Insurance regarding required levels of risk-based capital.

The Venture Capital Authority (VCA) has Limited Partnership Agreements with Colorado Fund I, LP and Colorado Fund II, LP, and has selected High Country Venture, LLC, to serve as manager and general partner of both funds. The partnership agreements allocate income or loss 20 percent to the general partner and 80 percent to the limited partners in accordance with their respective partnership percentages. As of December 31, 2010, VCA's investments in Colorado Fund I and Colorado Fund II totaled \$23.1 million and \$1.4 million, respectively.

NOTE 41 – ENCUMBRANCES

Most encumbrances are supported by annual appropriations and lapse at year-end. However, the Capital Projects Fund and the Highway Users Tax Fund include multi-year encumbrances of \$24.4 million and \$1,050.3 million, respectively, that are related to purchase orders and long-term contracts for the construction of major capital projects and infrastructure. In the General Fund (\$9.7 million), Resource Extraction Fund (\$0.7 million), Regular Capital Projects Fund (\$1.6 million), and in the Division of Parks and Wildlife Funds (\$9.3 million) encumbrances include approved rollforwards of annual appropriations for goods and services that were not received before June 30 due to extenuating circumstances, annual appropriations with express legislative intent to rollforward, and earned augmenting revenue for specific non-legislatively directed purposes going beyond the fiscal year end, such as insurance proceeds.

NOTE 42 – CONTINGENCIES

Primary Government

The Colorado Governmental Immunity Act (CGIA) sets upper limits on State liability at \$150,000 per individual and \$600,000 for two or more persons in a single occurrence. Effective January 1, 2012, the Act was amended to waive the State's sovereign immunity for legal proceedings in which the State has been determined to be negligent in conducting prescribed fires. Judgments in excess of these amounts may be rendered, but the claimant must petition the General Assembly for an appropriation to pay any amount greater than the immunity limits. Judgments awarded against the State for which there is no insurance coverage or that are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid.

Numerous court cases are pending in which the plaintiffs allege that the State has deprived persons of their constitutional rights, civil rights, inadequately compensated them for their property, engaged in regulatory misfeasance, or breached contracts. In the aggregate, the monetary damages (actual, punitive, and attorney's fees) claimed in the constitutional and civil rights cases would exceed the insurance coverage available by a material amount. One such claim exceeds \$122 million. The property compensation and breach of contract suits are generally limited to the appraised value of the property or the contract amount. In the breach of contract suits, the State often files counterclaims. While it is reasonably possible that awards of judgment could occur, it is unlikely that those awards would have a material adverse effect on the State's financial condition.

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

The State is the defendant in lawsuits by employees accusing the State of various infractions of law or contract. These may include claims related to age and sex discrimination, sexual harassment, wrongful termination, contractual agreements for paying salaries based on parity and equity, and overtime compensation under the Federal

Fair Labor Standards Act. The State does not believe that any of these cases are material to its financial operations.

In the event of adverse loss experience, which is defined as a default rate in excess of 9 percent, College Assist could be liable for up to 25 percent, or \$2.6 billion, of the \$10.5 billion outstanding balance of loans in repayment status. However, the probability of a material loss is remote, and the State's liability is capped at the net position of the College Assist program of \$59.8 million.

At June 30, 2012, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately \$359.4 million in the names of lottery or lotto prizewinners. The probability is remote that any of the sellers of these contracts will default, and thereby require the State to pay the annuity.

The Colorado Department of Revenue routinely has claims for refunds in various stages of administrative and legal review that could result in refunds up to \$20.0 million individually. In addition, there a large number of conservation easement tax credit denial cases pending at the Department. Per legislation passed in 2011, the taxpayers involved must elect to proceed with administrative or district court resolution of their refund claims. Including potential penalties and interest, claims currently referred to the Attorney General total an estimated \$30 million and the total amount at issue is estimated at \$222.8 million. These amounts represent both unpaid income taxes and claims for income tax refunds.

Various notes and bonds have been issued by State school districts that may impact the State. Colorado statutes provide that if a district indicates it will not make a required payment to bondholders by the date on which it is due, the State Treasurer shall forward to the paying agent the amount necessary to make the payment. The State shall then withhold State property-tax-equalization payments to the defaulting school district for a period up to 12 months to cover the State's loss. Currently, notes or bonds valued at approximately \$7.59 billion are outstanding. Of this amount, \$3.43 billion is covered by private insurance.

The State of Kansas will likely seek injunctive relief against Colorado in a potential suit against Colorado and Nebraska claiming violations of the Republican River Compact. Although the State anticipates reaching a resolution with the State of Kansas prior to any suit being filed, the estimated potential damages range from \$1.0 million to \$10.0 million. The State has recorded a liability for the minimum amount of the potential damages range.

Many State agencies have grant and contract agreements with the federal government and other parties. These agreements generally provide for audits of the transactions pertaining to the agreements, with the State being

liable to those parties for any disallowed expenditure. Individually significant disallowances are disclosed in the following paragraph.

The Department of Health Care Policy and Financing may be responsible for repaying Centers for Medicare and Medicaid Services (CMS) approximately \$75.3 million in federal matching funds paid to Rocky Mountain Health Plan HMO (RMHP) for benefits paid to Medicaid clients during Fiscal Years 2008-09 through 2010-11. The payments were made to RMHP without the federally required claims review prior to payment. The State has established a process that has been accepted by CMS to accomplish a review of the claims in question. If the historical review is not completed, CMS has stated that potential disallowance of these payments may occur. The department has worked with CMS towards a resolution and assesses the probability of disallowance at 25 percent.

School districts, students, and parents have filed suit against the State asserting that the current school funding system fails to provide a thorough and uniform system of free public education as required by the State Constitution. The plaintiffs seek to overturn the current funding system and ensure that additional funding of approximately \$1.35 billion to \$4.15 billion for operations funding and \$5.7 billion to \$17.9 billion for capital facility funding is provided. All claims were dismissed by the District Court and the Colorado Court of Appeals. After the Colorado Court of Appeals decision, both the plaintiffs and the State petitioned the Colorado Supreme Court. The Supreme Court reversed the lower courts' ruling and remanded the case to the District Court for trial, which concluded on September 2, 2011. On December 9, 2011 the District Court ruled in favor of the plaintiffs and held the State's school finance system is unconstitutional because it is inadequate and not rationally related to the constitutional mandate of a thorough and uniform system of free public education. The District Court stayed enforcement of its order until final order from the Colorado Supreme Court or conclusion of the 2012 legislative session in the event the order is not appealed. The State has appealed the District Court's ruling. The District Court's decision did not specify an immediate or long-term remedy, and the certainty, timing, and extent of fiscal impact on the State cannot be determined at this time.

The Department of Human Services has been sued by a behavioral health clinic seeking damages of \$25.0 million plus additional legal costs. The plaintiff claims the department's licensing actions adversely affected their ability to operate their business. The licensing actions were overturned by an administrative law judge. The department is vigorously contesting the claims, and the State is unable to estimate the likelihood of an adverse outcome.

Five insurance companies have filed suit against the State of Colorado for recovery of claims amounts paid or to be paid relating to damage from the Lower North Fork wildfire. The wildfire ignited during a high-wind event four days after a prescribed fire was conducted in the area by the Colorado State Forest Service to reduce wildfire danger. In response to the wildfire, the General Assembly passed House Bill 12-1361 retroactively waiving the State's sovereign immunity for negligence claims relating to prescribed fires. The plaintiffs also bring claims for inverse condemnation and takings. A motion to stay was granted through October 8, 2012, to allow for additional potential claimants to be indentified and joined in the action. The State does not contest liability for negligence claims brought pursuant to new provisions of CGIA; however, the State is vigorously defending against claims of inverse condemnation or on takings theories. Estimates of potential liability range from \$600,000 to more than \$11 million. A reserve of \$600,000 has been established in the Risk Management Fund (a Special Purpose Fund within the General Fund) and identification of all claims is in process.

The TABOR Foundation, a not-for-profit entity that is not part of State government, has filed suit against the Colorado Bridge Enterprise alleging that the bridge safety surcharge is a tax, not a fee; therefore, requiring a vote of the people. The foundation also alleges that \$300 million in bonds issued were unconstitutional because more than ten percent of the enterprise's revenue in 2010 was from State grants. The plaintiff is seeking an order declaring surcharges bonds unconstitutional. and Approximately \$200 million has been collected in surcharges, in addition to the \$300 million bond issuance. The Colorado Bridge Enterprise is vigorously defending claims, and the State us unable to estimate the likelihood of an adverse outcome.

The State believes it has a reasonable possibility of favorable outcomes for the actions discussed in this Note 42, but the ultimate outcome cannot presently be determined. Except as otherwise noted, no provision for a liability has been made in the financial statements related to the contingencies discussed in this note.

NOTE 43 – SUBSEQUENT EVENTS

Primary Government

A. DEBT ISSUANCES AND REFUNDINGS

On July 11, 2012, the State Treasurer issued \$125,000,000 of Education Loan Program Tax and Revenue Anticipation Notes (ETRANs), Series 2012B. The Notes mature on June 27, 2013, and the proceeds are used to make interest-free loans to certain Colorado school districts to alleviate temporary cash flow deficits at the districts. The total due at the maturity date includes \$125,000,000 million of principal and \$2,402,778 of interest. The ETRANS were issued with a premium of \$2,182,500 resulting in net interest cost of \$244,028 or 0.203 percent. By Colorado

statute, interest on the Notes is payable from the State's General Fund.

17, 2012. On July the State Treasurer issued \$500,000,000 of General Fund Tax and Revenue Anticipation Notes (GTRANs), Series 2012A. The Notes mature on June 27, 2013, and the proceeds are used to fund temporary cash flow deficits in the State's General Fund. The total due at the maturity date includes \$500,000,000 million of principal and \$11,191,667 of interest. The GTRANS were issued with a premium of \$10,321,400 resulting interest in net cost of \$881,367 or 0.187 percent.

On July 19, 2012, the Board of Regents of the University of Colorado issued \$53,000,000 of refunding revenue bonds, Series 2012A-2. The proceeds refund and redeem \$7,440,000 of the Enterprise System Revenue Bonds, Series 2004, \$44,630,000 of the University Enterprise Refunding and Improvement Revenue Bonds, Series 2005A, and \$1,740,000 of the University Enterprise System Revenue Bonds, Series 2005B. The proceeds also cover certain costs related to the financing the Series 2012A-2. The bonds carry an interest rate of 3.55 percent and mature in 2032.

B. OTHER

On April 8, 2011, the University of Colorado's Board of Regents approved the sale of the former Ninth Avenue campus in Denver. As of June 30, 2012, a purchase settlement agreement remained in progress. The sale of the property is conditioned on the buyer receiving approval from the City of Denver for Tax Increment Financing (TIF) in an amount of at least \$18,600,000. If TIF financing is not approved by October 31, 2012, then the buyer may terminate the agreement and deposits of \$625,000 shall be returned to the Buyer. Under the terms of the agreement the buyer began making \$60,000 per month Delay Fee payments in March 2012. If the Buyer should terminate the agreement for any reason, including the failure to obtain TIF approval from the City of Denver, the University will retain any Extension fees or Delay Fees paid to date. The buyer may purchase a portion of the campus as opposed to the entire campus, with a closing taking place as late as March 2013.

Component Units

Subsequent to Fiscal Year 2010-11, the University of Colorado Hospital Authority's board approved repayment of the Series 1997A bonds and issuing new bonds with a lower interest rate, but with similar terms. The board also approved refinancing the Series 1997A Bonds with a lower interest rate. The new bonds are expected to be issued in November 2011.

Subsequent to December 31, 2010, both the Colorado Funds I and II, L.P. made equity investments in eleven entities totaling \$5.3 million with approximately \$5.2 million of that amount representing the authority's share of the capital contribution.



| COLORADO BASIC FINANCIAL STATEMENTS • 11 | | | | | |
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| | | | | | |

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS BUDGET AND ACTUAL - GENERAL FUNDED FOR THE YEAR ENDED JUNE 30, 2012

| (DOLLARS IN THOUSANDS) | ORIGINAL | FINAL SPENDING | | (OVER)/UNDER SPENDING |
|--|---------------|-------------------|--------------|--------------------------|
| | APPROPRIATION | AUTHORITY | ACTUAL | AUTHORITY |
| REVENUES AND TRANSFERS-IN: | | | | |
| Sales and Other Excise Taxes | | | \$ 2,387,734 | |
| Income Taxes | | | 5,092,488 | |
| Other Taxes | | | 198,086 | |
| Federal Grants and Contracts | | | 27 | |
| Sales and Services | | | 351 | |
| Interest Earnings | | | 15,167 | |
| Other Revenues | | | 23,570 | |
| Transfers-In | | | 218,542 | |
| TOTAL REVENUES AND TRANSFERS-IN | | | 7,935,965 | |
| TOTAL REVENUES AND TRANSPERS-IN | | | 7,935,965 | |
| EXPENDITURES AND TRANSFERS-OUT: | | | | |
| Operating Budgets: | | | | |
| Departmental: | | | | |
| Agriculture | \$ 5,164 | \$ 5,164 | 5,136 | \$ 28 |
| Corrections | 634,934 | 648,975 | 648,196 | 779 |
| Education | 2,833,702 | 2,833,700 | 2,833,288 | 412 |
| Governor | 11,176 | 11,232 | 10,379 | 853 |
| | · | | | |
| Health Care Policy and Financing | 1,670,986 | 1,699,045 | 1,693,373 | 5,672 |
| Higher Education | 624,039 | 624,213 | 623,880 | 333 |
| Human Services | 618,496 | 619,446 | 607,858 | 11,588 |
| Judicial Branch | 340,244 | 338,456 | 336,700 | 1,756 |
| Law | 9,393 | 9,422 | 9,332 | 90 |
| Legislative Branch | 34,685 | 34,704 | 34,704 | - |
| Local Affairs | 10,478 | 10,474 | 10,448 | 26 |
| Military and Veterans Affairs | 5,422 | 5,420 | 5,364 | 56 |
| Natural Resources | 23,422 | 23,429 | 23,383 | 46 |
| Personnel & Administration | 5,080 | 4,119 | 3,959 | 160 |
| Public Health and Environment | 27,478 | 27,473 | 27,450 | 23 |
| | | | | |
| Public Safety | 82,677 | 82,728 | 81,994 | 734 |
| Regulatory Agencies | 1,599 | 1,600 | 1,600 | - |
| Revenue | 167,783 | 167,782 | 173,848 | (6,066) |
| Treasury | 15,994 | 15,994 | 15,984 | 10 |
| Transfers Not Appropriated by Department | 59,000 | 59,000 | 59,000 | - |
| SUB-TOTAL OPERATING BUDGETS | 7,181,752 | 7,222,376 | 7,205,876 | 16,500 |
| 0 11 14 11 11 11 11 11 11 11 11 11 11 11 | | | | |
| Capital and Multi-Year Budgets: | | | | |
| Departmental: | | | | |
| Agriculture | 710 | 427 | 363 | 64 |
| Corrections | 20,798 | 23,984 | 20,274 | 3,710 |
| Education | 901 | 124 | 17 | 107 |
| Governor | 1,900 | 2,765 | 242 | 2,523 |
| Higher Education | 20,952 | 23,644 | 10,708 | 12,936 |
| Human Services | 2,767 | 3,088 | 1,380 | 1,708 |
| Military and Veterans Affairs | 2,949 | 8,390 | 3,561 | 4,829 |
| Personnel & Administration | 6,159 | 10,447 | 4,382 | 6,065 |
| Public Health and Environment | - | 75 | 73 | 2 |
| | - | | | |
| Public Safety | | 22 | 21 | 1 |
| Revenue | 4,473 | 17,334 | 8,202 | 9,132 |
| Transportation | 500 | 500 | 500 | - |
| Treasury | - | 4,067 | - | 4,067 |
| Budgets/Transfers Not Recorded by Department | 50,425 | 50,425 | 50,425 | - |
| SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS | 112,534 | 145,292 | 100,148 | 45,144 |
| | | | | |
| TOTAL EXPENDITURES AND TRANSFERS-OUT | \$ 7,294,286 | \$ 7,367,668 | 7,306,024 | \$ 61,644 |

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

629,941

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCES/NET POSITION - BUDGETARY BASIS BUDGET AND ACTUAL - CASH FUNDED FOR THE YEAR ENDED JUNE 30, 2012

| (DOLLARS IN THOUSANDS) | ORIGINAL APPROPRIATION | FINAL SPENDING AUTHORITY | ACTUAL | (OVER)/UNDER SPENDING AUTHORITY |
|---|---------------------------|--------------------------------|------------------|---------------------------------------|
| REVENUES AND TRANSFERS-IN: | | | | |
| Sales and Other Excise Taxes | | | \$ 750,084 | |
| Income Taxes | | | 414,970 | |
| Other Taxes | | | 1,260,020 | |
| Tuition and Fees | | | 523,286 | |
| Sales and Services | | | 2,167,093 | |
| Interest Earnings | | | 224,980 | |
| Medicaid Provider Revenues | | | 3 | |
| Other Revenues | | | 2,673,971 | |
| Transfers-In | | | 6,181,215 | |
| TOTAL REVENUES AND TRANSFERS-IN | | | 14,195,622 | |
| EXPENDITURES/EXPENSES AND TRANSFERS-OUT: | | | | |
| Operating Budgets: | | | | |
| Departmental: | | | | |
| Agriculture | \$ 32,293 | \$ 32,299 | 27,518 | \$ 4,781 |
| Corrections | 107,270 | 105,324 | 93,646 | 11,678 |
| Education | 3,815,094 | 3,817,564 | 3,781,106 | 36,458 |
| Governor | 252,643 | 270,964 | 175,616 | 95,348 |
| Health Care Policy and Financing | 1,701,274 | 1,706,556 | 1,685,804 | 20,752 |
| Higher Education | 1,505,174 | 1,515,494 | 1,323,731 | 191,763 |
| Human Services | 717,875 | 313,433 | 287,380 | 26,053 |
| Judicial Branch | 252,759 | 245,618 | 197,820 | 47,798 |
| Labor and Employment | 892,404 | 902,229 | 739,331 | 162,898 |
| Law | 44,832 | 53,820 | 42,725 | 11,095 |
| Legislative Branch | 6,795 | 6,795 | 2,657 | 4,138 |
| Local Affairs | 416,256 | 416,255 | 229,182 | 187,073 |
| Military and Veterans Affairs | 6,703 | 6,349 | 4,073 | 2,276 |
| Natural Resources | 773,646 | 749,610 | 401,083 | 348,527 |
| Personnel & Administration | 466,533 | 468,548 | 450,954 | 17,594 |
| Public Health and Environment | 182,972 | 216,785 | 180,183 | 36,602 |
| Public Safety | 154,635 | 156,118 | 144,252 | 11,866 |
| Regulatory Agencies | 77,423 | 77,631 | 71,174 | 6,457 |
| Revenue | 917,156 | 917,655 | 787,229 | 130,426 |
| State | 19,053 | 22,380 | 18,418 | 3,962 |
| Transportation | 3,057,692 | 3,066,277 | 925,280 | 2,140,997 |
| Treasury | 1,831,851 | 1,832,125 | 1,775,846 | 56,279 |
| Budgets/Transfers Not Recorded by Department | - | 2,400 | - | 2,400 |
| SUB-TOTAL OPERATING BUDGETS | 17,232,333 | 16,902,229 | 13,345,008 | 3,557,221 |
| Capital and Multi-Year Budgets: | | | | |
| Departmental: | | | | |
| Agriculture | - | - - | | - |
| Corrections | 3,994 | 6,312 | 4,215 | 2,097 |
| Education | | 582 | 22 | 560 |
| Governor | 8,627 | 790 | 221 | 569 |
| Higher Education | 60,465 | 256,204 | 176,556 | 79,648 |
| Human Services | 1,142 | 4,604 | 1,893 | 2,711 |
| Judicial Branch | 159,756 | 176,980 | 134,549 | 42,431 |
| Labor and Employment | 38,000 | 40,496 | 35,081 | 5,415 |
| Military and Veterans Affairs | - | 4,186 | 1,498 | 2,688 |
| Natural Resources | 58,100 | 53,939 | 20,375 | 33,564 |
| Personnel & Administration | 4,967 | 8,460 | 4,574 | 3,886 |
| Public Health and Environment | 850 | 35,832 | 5,616 | 30,216 |
| Public Safety | - | 1,150 | 1,150 | - |
| Revenue | 2,263 | 3,348 | 1,714 | 1,634 |
| Transportation | 500 | 500 | 500 | - 2 (22 |
| Treasury Budgets/Transfers Not Recorded by Department | 22,652 | 12,447 | 8,825 | 3,622 |
| SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS | 9,707 371,023 | 9,707 | 8,326 405,115 | 1,381 210,422 |
| • | | | | |
| FOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT | \$ 17,603,356 | \$ 17,517,766 | 13,750,123 | \$ 3,767,643 |

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

\$ 445,499

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCES/NET POSITION - BUDGETARY BASIS BUDGET AND ACTUAL - FEDERALLY FUNDED FOR THE YEAR ENDED JUNE 30, 2012

| (DOLLARS IN THOUSANDS) | ORIGINAL APPROPRIATION | FINAL SPENDING AUTHORITY | ACTUAL | (OVER)/UNDER SPENDING AUTHORITY | |
|---|---------------------------|--------------------------------|--------------|---------------------------------------|--|
| REVENUES AND TRANSFERS-IN: | | | | | |
| Federal Grants and Contracts | | | \$ 7,702,064 | | |
| TOTAL REVENUES AND TRANSFERS-IN | | | 7,702,064 | | |
| EXPENDITURES/EXPENSES AND TRANSFERS-OUT: | | | | | |
| Capital and Multi-Year Budgets: | | | | | |
| Departmental: | | | | | |
| Agriculture | \$ 3,978 | \$ 11,984 | 5,159 | \$ 6,825 | |
| Corrections | 4,887 | 8,589 | 7,387 | 1,202 | |
| Education | 625,920 | 965,998 | 656,101 | 309,897 | |
| Governor | 24,093 | 206,468 | 113,770 | 92,698 | |
| Health Care Policy and Financing | 2,542,888 | 2,647,959 | 2,591,375 | 56,584 | |
| Higher Education | 19,015 | 479,964 | 446,478 | 33,486 | |
| Human Services | 688,579 | 1,713,398 | 1,519,011 | 194,387 | |
| Judicial Branch | 10,482 | 19,275 | 13,426 | 5,849 | |
| Labor and Employment | 98,535 | 1,358,842 | 1,030,874 | 327,968 | |
| Law | 1,500 | 3,252 | 1,878 | 1,374 | |
| Local Affairs | 117,319 | 168,660 | 87,614 | 81,046 | |
| Military and Veterans Affairs | 221,116 | 40,185 | 23,891 | 16,294 | |
| Natural Resources | 22,247 | 77,727 | 39,641 | 38,086 | |
| Personnel & Administration | _ | 4,180 | 53 | 4,127 | |
| Public Health and Environment | 267,070 | 447,288 | 307,853 | 139,435 | |
| Public Safety | 29,622 | 102,885 | 46,005 | 56,880 | |
| Regulatory Agencies | 1,195 | 8,280 | 3,084 | 5,196 | |
| Revenue | 724 | 7,706 | 2,114 | 5,592 | |
| State | - | 1,480 | 122 | 1,358 | |
| Transportation | 845,394 | 732,753 | 616,463 | 116,290 | |
| Treasury | - | 178,623 | 178,623 | - | |
| SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS | 5,524,564 | 9,185,496 | 7,690,922 | 1,494,574 | |
| TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT | \$ 5,524,564 | \$ 9,185,496 | 7,690,922 | \$ 1,494,574 | |

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

\$ 11,142



RECONCILING SCHEDULE ALL BUDGET FUND TYPES TO ALL GAAP FUND TYPES FOR THE YEAR ENDED JUNE 30, 2012

| (DOLLARS IN THOUSANDS) | GOVERNMENTAL FUND TYPES | | | | | | | | | |
|--|-------------------------|------------------------|-------------------------|---------------------|--------------------|--------------------------------|--|--|--|--|
| | GENERAL | RESOURCE EXTRACTION | HIGHWAY USERS TAX | CAPITAL PROJECTS | STATE EDUCATION | OTHER GOVERNMENTAL FUNDS | | | | |
| BUDGETARY BASIS: | | | | | | | | | | |
| Revenues and Transfers-In: | | | | | | | | | | |
| General | \$ 7,878,929 | \$ - | \$ - | \$ 57,036 | \$ - | \$ - | | | | |
| Cash | 4,821,683 | 399,630 | 1,882,467 | 151,871 | 481,516 | 2,507,645 | | | | |
| Federal | 5,265,126 | 174,564 | 615,172 | 32,317 | - | 204,488 | | | | |
| Sub-Total Revenues and Transfers-In | 17,965,738 | 574,194 | 2,497,639 | 241,224 | 481,516 | 2,712,133 | | | | |
| Expenditures/Expenses and Transfers-Out | | | | | | | | | | |
| General Funded | 7,255,172 | - | - | 50,852 | - | - | | | | |
| Cash Funded | 4,813,771 | 360,471 | 1,965,416 | 325,103 | 652,125 | 2,243,514 | | | | |
| Federally Funded | 5,260,002 | 174,547 | 615,140 | 32,317 | - | 205,470 | | | | |
| Expenditures/Expenses and Transfers-Out | 17,328,945 | 535,018 | 2,580,556 | 408,272 | 652,125 | 2,448,984 | | | | |
| Excess of Revenues and Transfers-In Over | | | | | | | | | | |
| (Under) Expenditures and Transfers-Out - Budget Basis | 636,793 | 39,176 | (82,917) | (167,048) | (170,609) | 263,149 | | | | |
| BUDGETARY BASIS ADJUSTMENTS: | | | | | | | | | | |
| Increase/(Decrease) for Unrealized Gains/Losses | 4,007 | (140) | (1,451) | 468 | (924) | 6,355 | | | | |
| Increase for Budgeted Non-GAAP Expenditures | 9,142 | 24,292 | - | - | - | - | | | | |
| Increase/(Decrease) for GAAP Expenditures Not Budgeted | 148,332 | (23,927) | 104,377 | 135,589 | - | (39,739) | | | | |
| Increase/(Decrease) for GAAP Revenue Adjustments Increase/(Decrease) for Non-Budgeted Funds | (143,376) - | (634) | (29) | (135,589) - | - | (122,136) | | | | |
| Excess of Revenues and Transfers-In Over | | | | | | | | | | |
| (Under) Expenditures and Transfers-Out - GAAP Basis | 654,898 | 38,767 | 19,980 | (166,580) | (171,533) | 107,629 | | | | |
| GAAP BASIS FUND BALANCES/NET ASSETS: | | | | | | | | | | |
| FUND BALANCE/NET ASSETS, FISCAL YEAR BEGINNING | 602,847 | 868,500 | 1,203,013 | 219,332 | 365,801 | 1,582,479 | | | | |
| Prior Period Adjustments (See Note 29) | (26,273) | (2,670) | - | - | 485 | 6,690 | | | | |
| FUND BALANCE/NET ASSETS, FISCAL YEAR END | \$ 1,231,472 | \$ 904,597 | \$ 1,222,993 | \$ 52,752 | \$ 194,753 | \$ 1,696,798 | | | | |

| | PRO | PRIETARY FUND TY | PES | | | |
|-------------------------------------|--------------------------------------|-----------------------------------|--------------------------------------|------------------------------|-----------------------------|--|
| HIGHER EDUCATION INSTITUTIONS | UNEMPLOYMENT INSURANCE | STATE LOTTERY | OTHER ENTERPRISE FUNDS | INTERNAL SERVICE | FIDUCIARY FUND TYPES | TOTAL PRIMARY GOVERNMENT |
| 595,719 15,384 | \$ - 833,192 922,611 | \$ - 560,834 - | \$ - 460,169 472,153 | \$ - 219,131 250 | \$ - 1,281,765 - | \$ 7,935,965 14,195,622 7,702,065 |
| 611,103 | 1,755,803 | 560,834 | 932,322 | 219,381 | 1,281,765 | 29,833,652 |
| 601,706 15,384 617,090 | - 632,906 922,611 1,555,517 | 560,933 - 560,933 | 344,679 465,199 809,878 | 215,651 250 215,901 | 1,033,846 - 1,033,846 | 7,306,024 13,750,121 7,690,920 28,747,065 |
| (5,987) | 200,286 | (99) | 122,444 | 3,480 | 247,919 | 1,086,587 |
| (99) - 25,735 - 289,731 | - (17,945) - - | (149) 133 (1,079) - - | 1,599 25,606 (19,325) (828) | 52 762 (2,795) (89) | 26,521 - 17 - - | 36,239 59,935 309,240 (402,681 289,731 |
| 309,380 | 182,341 | (1,194) | 129,496 | 1,410 | 274,457 | 1,379,051 |
| 4,723,248 (4,001) | (117,908) - | 6,369 - | 652,974 258,571 | 9,933 | 4,208,934 - | 14,325,522 232,802 |
| 5,028,627 | \$ 64,433 | \$ 5,175 | \$ 1,041,041 | \$ 11,343 | \$ 4,483,391 | \$ 15,937,375 |

GENERAL FUND SURPLUS SCHEDULE

With the implementation of GASB Statement No. 54 the General Fund for GAAP purposes is not equivalent to the General Fund for budgetary purposes. The General Fund for GAAP purposes contains activities that are considered cash funds for budget purposes, and includes, State Public School, Risk Management Fund, and Other Special Purpose Funds that do not have a sufficient original-source revenue stream to qualify as special revenue funds. The General Purpose Revenue Fund balance represents \$687.7 million of the GAAP General Fund balance of \$1,231.5 million on the Balance Sheet – Governmental Funds.

The General Purpose Revenue Fund is the principal operating fund of the State. It is used to account for all governmental financial resources and transactions not legally required to be accounted for in another fund. The General Fund Surplus is a statutorily defined amount that varies from the fund balance reported in the General Purpose Revenue Fund by revenues and expenditures that have been deferred into the following year for the budgetary basis (see Note RSI-1A).

The schedule on the following page is presented to document compliance with the constitutional requirement for a positive General Fund Surplus on the budgetary basis. The schedule differs from the General Fund presentation in the *Statement of Revenues, Expenditures, and Changes in Fund Balances* and the *Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis – Budgetto-Actual – General Funded* by the specific purpose revenue funds discussed above and in several other ways as discussed below.

The total fund balance in the General Purpose Revenue Fund column on the *Combining Balance Sheet – General Funds* represents cumulative general-purpose and augmenting revenues in excess of expenditures. The total fund balance comprises several sub-classifications

indicating the relative enforceability of constrains on those resources in accordance with GAAP definitions. The subclassifications include Nonspendable, Restricted, Committed, Assigned and Unassigned Fund Balances and do not represent availability for purposes of computing General Fund Surplus. As a result, the ending General Fund Surplus is reconciled to the General Purpose Revenue Fund fund balance on the *Combining Balance Sheet – General Fund Components*, rather than the Unassigned fund balance on the *Balance Sheet – General Funds* in the Basic Financial Statements.

General-purpose revenues are revenues that are not designated for specific purposes. The following schedule shows the current fiscal year general-purpose revenues and the expenditures, by department, funded from those general-purpose revenues. The excess augmenting revenues shown represent earned revenues that were greater than the related appropriation for specific cash-funded expenditures in the General Purpose Revenue Fund. These revenues in excess of the related expenditures become part of total fund balance. (See Note 8A beginning on page 44 for information regarding the negative reversion at the Department of Revenue.)

In order to measure the General Fund Surplus, encumbrances of the prior year related to approved rollforwards are subtracted from the revised budget and the actual expenditure columns because they were considered expended in the prior year. In addition, encumbrances at the end of the current year related to approved rollforwards are considered expenditures and are added to the actual expenditures column.

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

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN GENERAL FUND SURPLUS BUDGET AND ACTUAL - BUDGETARY BASIS FOR THE YEAR ENDED JUNE 30, 2012

| (DOLLARS IN THOUSANDS) | ORIGINAL ESTIMATE/ | REVISED ESTIMATE/ | | REVERSIONS OF GENERAL FUND | EXCESS AUGMENTING REVENUE |
|--|---|----------------------|--|----------------------------------|---------------------------------|
| | BUDGET | BUDGET | ACTUAL | APPROPRIATION | EARNED |
| REVENUES: | | | | | |
| Sales and Use Tax | \$ 2,167,500 | \$ 2,295,400 | \$ 2,293,837 | | |
| Other Excise Taxes Individual Income Tax, net | 89,000 4,272,600 | 94,000 4,559,800 | 93,897 4,633,356 | | |
| Corporate Income Tax, net | 351,100 | 440,600 | 459,134 | | |
| Estate Tax | 331,100 | - | 290 | | |
| Insurance Tax | 207,300 | 194,000 | 197,202 | | |
| Parimutuel, Courts, and Other | 20,100 | 24,000 | 25,232 | | |
| Investment Income | 9,100 | 11,700 | 14,447 | | |
| Gaming | 20,500 | 20,200 | 20,305 | | |
| TOTAL GENERAL PURPOSE REVENUES | 7,137,200 | 7,639,700 | 7,737,700 | | |
| ACTUAL BUDGET RECORDED AND EXPENDITURES: | | | | | |
| Agriculture | 5,164 | 5,164 | 5,136 | \$ 28 | \$ - |
| Corrections | 642,804 | 648,950 | 648,171 | 779 | 8 |
| Education | 2,833,642 | 2,833,704 | 2,833,288 | 416 | 1,551 |
| Governor | 11,276 | 10,614 | 9,762 | 852 | 5,524 |
| Health Care Policy and Financing | 1,778,738 | 1,698,622 | 1,694,583 | 4,039 | 2,093 |
| Higher Education | 624,242 | 623,963 | 623,963 | - 0.0/7 | 31 |
| Human Services | 618,764 | 619,908 | 611,841 | 8,067 | 4,420 |
| Judicial Branch Labor and Employment | 345,504 - | 338,456 - | 336,700 | 1,756 - | 134 57 |
| Law | 9,573 | 9,422 | 9,332 | 90 | 81 |
| Legislative Branch | 35,216 | 34,685 | 34,685 | - | 221 |
| Local Affairs | 10,450 | 10,473 | 10,448 | 25 | 325 |
| Natural Resources | 23,422 | 23,429 | 23,383 | 46 | 269 |
| Personnel & Administration | 5,240 | 4,118 | 3,979 | 139 | 385 |
| Public Health and Environment | 27,641 | 27,473 | 27,450 | 23 | 59 |
| Public Safety | 82,796 | 82,728 | 82,000 | 728 | 110 |
| Regulatory Agencies Revenue | 1,623 157,583 | 1,600 159,781 | 1,600 165,844 | (6,063) | 129 |
| State | 157,565 | 139,761 | 105,644 | (0,003) | 49 |
| Treasury | 7,932 | 11,994 | 11,984 | 10 | 1 |
| TOTAL ACTUAL BUDGET AND EXPENDITURES | 7,227,088 | 7,150,513 | 7,139,513 | \$ 11,000 | \$ 15,447 |
| TOTAL ACTUAL BODGET AND EXI ENDITORES | 7,227,000 | 7,130,313 | 7,107,010 | \$ 11,000 | Ψ 15,447 |
| Variance Between Actual and Estimated Budgets | (459,316) | (5,893) | ≘ | | |
| TOTAL ESTIMATED BUDGET | 6,767,772 | 7,144,620 | 7,139,513 | | |
| EXCESS GENERAL REVENUES OVER (UNDER) | 0,707,772 | 7,144,020 | 7,107,010 | | |
| GENERAL FUNDED EXPENDITURES | 369,428 | 495,080 | 598,187 | | |
| EXCESS AUGMENTING REVENUES | | | 15,447 | | |
| EXCESS ACCIMENTING REVENUES | | | 13,447 | | |
| TRANSFERS (Not Appropriated By Department): | | | | | |
| Transfers-In From Various Cash Funds | 132,700 | 159,300 | 141,231 | | |
| Transfer-Out For the Older Coloradans Act | (8,000) | (8,000) | (8,000) | | |
| Transfer-Out to Capital Projects - General Fund Transfer-Out to Capital Projects - General Fund-Exempt Account | (49,300) | (49,300) | (48,798) | | |
| Transfer to State Education Fund Per C.R.S. 24-75-201.1 | = | (59,000) | (59,000) | | |
| Transfer to Colorado Economic Development | | (37,000) | (37,000) | | |
| Fund Per CRS 24-75-221 | - | - | (4,000) | | |
| TOTAL TRANSFERS | 75,400 | 43,000 | 20,933 | | |
| | | | | | |
| | | | 20,733 | | |
| EXCESS REVENUES AND TRANSFERS OVER(UNDER) | | | · | | |
| EXCESS REVENUES AND TRANSFERS OVER(UNDER) BUDGET BASIS EXPENDITURES | 444,828 | 538,080 | 634,567 | | |
| BUDGET BASIS EXPENDITURES | | 538,080 | · | | |
| BUDGET BASIS EXPENDITURES BEGINNING GENERAL FUND SURPLUS | (22,400) | · - | 634,567 | | |
| BUDGET BASIS EXPENDITURES BEGINNING GENERAL FUND SURPLUS Release of Prior Year Statutory Reserve (2.3%) | (22,400) 156,700 | 156,700 | 634,567 | | |
| BUDGET BASIS EXPENDITURES BEGINNING GENERAL FUND SURPLUS | (22,400) | · - | 634,567 | | |
| BUDGET BASIS EXPENDITURES BEGINNING GENERAL FUND SURPLUS Release of Prior Year Statutory Reserve (2.3%) Establish Current Year Statutory Reserve (4.0%) Release of Contractually Restricted Energy Performance Leases Budgeted Non-GAAP Expenditures | (22,400) 156,700 | 156,700 | 634,567 - 156,648 (281,116) | | |
| BUDGET BASIS EXPENDITURES BEGINNING GENERAL FUND SURPLUS Release of Prior Year Statutory Reserve (2.3%) Establish Current Year Statutory Reserve (4.0%) Release of Contractually Restricted Energy Performance Leases Budgeted Non-GAAP Expenditures GAAP Revenues/(Expenditures) Not Budgeted | (22,400) 156,700 | 156,700 | 634,567 156,648 (281,116) 10,282 9,142 (3,842) | | |
| BUDGET BASIS EXPENDITURES BEGINNING GENERAL FUND SURPLUS Release of Prior Year Statutory Reserve (2.3%) Establish Current Year Statutory Reserve (4.0%) Release of Contractually Restricted Energy Performance Leases Budgeted Non-GAAP Expenditures GAAP Revenues/(Expenditures) Not Budgeted Contractually Restricted Energy Performance Leases | (22,400) 156,700 | 156,700 | 634,567 156,648 (281,116) 10,282 9,142 (3,842) (2,219) | | |
| BUDGET BASIS EXPENDITURES BEGINNING GENERAL FUND SURPLUS Release of Prior Year Statutory Reserve (2.3%) Establish Current Year Statutory Reserve (4.0%) Release of Contractually Restricted Energy Performance Leases Budgeted Non-GAAP Expenditures GAAP Revenues/(Expenditures) Not Budgeted Contractually Restricted Energy Performance Leases Prior Period Adjustment (see Note 29) | (22,400) 156,700 (279,300) | 156,700 (281,100) | 634,567 156,648 (281,116) 10,282 9,142 (3,842) (2,219) (201) | | |
| BUDGET BASIS EXPENDITURES BEGINNING GENERAL FUND SURPLUS Release of Prior Year Statutory Reserve (2.3%) Establish Current Year Statutory Reserve (4.0%) Release of Contractually Restricted Energy Performance Leases Budgeted Non-GAAP Expenditures GAAP Revenues/(Expenditures) Not Budgeted Contractually Restricted Energy Performance Leases | (22,400) 156,700 | 156,700 | 634,567 156,648 (281,116) 10,282 9,142 (3,842) (2,219) | | |
| BUDGET BASIS EXPENDITURES BEGINNING GENERAL FUND SURPLUS Release of Prior Year Statutory Reserve (2.3%) Establish Current Year Statutory Reserve (4.0%) Release of Contractually Restricted Energy Performance Leases Budgeted Non-GAAP Expenditures GAAP Revenues/(Expenditures) Not Budgeted Contractually Restricted Energy Performance Leases Prior Period Adjustment (see Note 29) | (22,400) 156,700 (279,300) | 156,700 (281,100) | 634,567 156,648 (281,116) 10,282 9,142 (3,842) (2,219) (201) | | |
| BUDGET BASIS EXPENDITURES BEGINNING GENERAL FUND SURPLUS Release of Prior Year Statutory Reserve (2.3%) Establish Current Year Statutory Reserve (4.0%) Release of Contractually Restricted Energy Performance Leases Budgeted Non-GAAP Expenditures GAAP Revenues/(Expenditures) Not Budgeted Contractually Restricted Energy Performance Leases Prior Period Adjustment (see Note 29) | (22,400) 156,700 (279,300) \$ 299,828 | 156,700 (281,100) | 634,567 156,648 (281,116) 10,282 9,142 (3,842) (2,219) (201) | | |
| BUDGET BASIS EXPENDITURES BEGINNING GENERAL FUND SURPLUS Release of Prior Year Statutory Reserve (2.3%) Establish Current Year Statutory Reserve (4.0%) Release of Contractually Restricted Energy Performance Leases Budgeted Non-GAAP Expenditures GAAP Revenues/(Expenditures) Not Budgeted Contractually Restricted Energy Performance Leases Prior Period Adjustment (see Note 29) ENDING GENERAL FUND SURPLUS | (22,400) 156,700 (279,300) \$ 299,828 AP FUND BALANCE: | 156,700 (281,100) | 634,567 156,648 (281,116) 10,282 9,142 (3,842) (2,219) (201) | | |
| BUDGET BASIS EXPENDITURES BEGINNING GENERAL FUND SURPLUS Release of Prior Year Statutory Reserve (2.3%) Establish Current Year Statutory Reserve (4.0%) Release of Contractually Restricted Energy Performance Leases Budgeted Non-GAAP Expenditures GAAP Revenues/(Expenditures) Not Budgeted Contractually Restricted Energy Performance Leases Prior Period Adjustment (see Note 29) ENDING GENERAL FUND SURPLUS ADJUSTMENTS TO BUDGETED REVENUE AND EXPENDITURES FOR GA GAAP Medicaid Expenditures Deferred to Fiscal Year 2012-13 for Bud GAAP Payroll Expenditures Deferred to Fiscal Year 2012-13 for Bud | (22,400) 156,700 (279,300) \$ 299,828 AP FUND BALANCE: dget | 156,700 (281,100) | 634,567 156,648 (281,116) 10,282 9,142 (3,842) (2,219) (201) 523,261 (138,192) (85,462) | | |
| BUDGET BASIS EXPENDITURES BEGINNING GENERAL FUND SURPLUS Release of Prior Year Statutory Reserve (2.3%) Establish Current Year Statutory Reserve (4.0%) Release of Contractually Restricted Energy Performance Leases Budgeted Non-GAAP Expenditures GAAP Revenues/(Expenditures) Not Budgeted Contractually Restricted Energy Performance Leases Prior Period Adjustment (see Note 29) ENDING GENERAL FUND SURPLUS ADJUSTMENTS TO BUDGETED REVENUE AND EXPENDITURES FOR GA GAAP Medicaid Expenditures Deferred to Fiscal Year 2012-13 for Bud GAAP Payroll Expenditures Deferred to Fiscal Year 2012-13 for Bud GAAP Information Technology Expenditures Deferred to Fiscal Year | (22,400) 156,700 (279,300) \$ 299,828 AP FUND BALANCE: dget lget 2012-13 for Budget | 156,700 (281,100) | 634,567 156,648 (281,116) 10,282 9,142 (3,842) (2,219) (201) 523,261 (138,192) (85,462) (1,199) | | |
| BUDGET BASIS EXPENDITURES BEGINNING GENERAL FUND SURPLUS Release of Prior Year Statutory Reserve (2.3%) Establish Current Year Statutory Reserve (4.0%) Release of Contractually Restricted Energy Performance Leases Budgeted Non-GAAP Expenditures GAAP Revenues/(Expenditures) Not Budgeted Contractually Restricted Energy Performance Leases Prior Period Adjustment (see Note 29) ENDING GENERAL FUND SURPLUS ADJUSTMENTS TO BUDGETED REVENUE AND EXPENDITURES FOR GA GAAP Medicaid Expenditures Deferred to Fiscal Year 2012-13 for Bud GAAP Payroll Expenditures Deferred to Fiscal Year 2012-13 for Bud | (22,400) 156,700 (279,300) \$ 299,828 AP FUND BALANCE: dget lget 2012-13 for Budget | 156,700 (281,100) | 634,567 156,648 (281,116) 10,282 9,142 (3,842) (2,219) (201) 523,261 (138,192) (85,462) | | |
| BUDGET BASIS EXPENDITURES BEGINNING GENERAL FUND SURPLUS Release of Prior Year Statutory Reserve (2.3%) Establish Current Year Statutory Reserve (4.0%) Release of Contractually Restricted Energy Performance Leases Budgeted Non-GAAP Expenditures GAAP Revenues/(Expenditures) Not Budgeted Contractually Restricted Energy Performance Leases Prior Period Adjustment (see Note 29) ENDING GENERAL FUND SURPLUS ADJUSTMENTS TO BUDGETED REVENUE AND EXPENDITURES FOR GAAP Medicaid Expenditures Deferred to Fiscal Year 2012-13 for BudgAAP Payroll Expenditures Deferred to Fiscal Year 2012-13 for Budg GAAP Information Technology Expenditures Deferred to Fiscal Year | (22,400) 156,700 (279,300) \$ 299,828 AP FUND BALANCE: dget get 2012-13 for Budget Program Expenditures | 156,700 (281,100) | 634,567 156,648 (281,116) 10,282 9,142 (3,842) (2,219) (201) 523,261 (138,192) (85,462) (1,199) | | |
| BUDGET BASIS EXPENDITURES BEGINNING GENERAL FUND SURPLUS Release of Prior Year Statutory Reserve (2.3%) Establish Current Year Statutory Reserve (4.0%) Release of Contractually Restricted Energy Performance Leases Budgeted Non-GAAP Expenditures GAAP Revenues/(Expenditures) Not Budgeted Contractually Restricted Energy Performance Leases Prior Period Adjustment (see Note 29) ENDING GENERAL FUND SURPLUS ADJUSTMENTS TO BUDGETED REVENUE AND EXPENDITURES FOR GA GAAP Medicaid Expenditures Deferred to Fiscal Year 2012-13 for Bu GAAP Payroll Expenditures Deferred to Fiscal Year 2012-13 for Bu GAAP Information Technology Expenditures Deferred to Fiscal Year GAAP Revenues Related to Deferred Medicaid Payroll and Medicaid I GAAP FUND BALANCE NOT AVAILABLE FOR GENERAL FUND SURPLUS: | (22,400) 156,700 (279,300) \$ 299,828 AP FUND BALANCE: dget get 2012-13 for Budget Program Expenditures | 156,700 (281,100) | 634,567 156,648 (281,116) 10,282 9,142 (3,842) (2,219) (201) 523,261 (138,192) (85,462) (1,199) 80,600 | | |
| BUDGET BASIS EXPENDITURES BEGINNING GENERAL FUND SURPLUS Release of Prior Year Statutory Reserve (2.3%) Establish Current Year Statutory Reserve (4.0%) Release of Contractually Restricted Energy Performance Leases Budgeted Non-GAAP Expenditures GAAP Revenues/(Expenditures) Not Budgeted Contractually Restricted Energy Performance Leases Prior Period Adjustment (see Note 29) ENDING GENERAL FUND SURPLUS ADJUSTMENTS TO BUDGETED REVENUE AND EXPENDITURES FOR GAAP Medicaid Expenditures Deferred to Fiscal Year 2012-13 for BudgAAP Payroll Expenditures Deferred to Fiscal Year 2012-13 for Budg GAAP Information Technology Expenditures Deferred to Fiscal Year | (22,400) 156,700 (279,300) \$ 299,828 AP FUND BALANCE: dget get 2012-13 for Budget Program Expenditures | 156,700 (281,100) | 634,567 156,648 (281,116) 10,282 9,142 (3,842) (2,219) (201) 523,261 (138,192) (85,462) (1,199) | | |
| BUDGET BASIS EXPENDITURES BEGINNING GENERAL FUND SURPLUS Release of Prior Year Statutory Reserve (2.3%) Establish Current Year Statutory Reserve (4.0%) Release of Contractually Restricted Energy Performance Leases Budgeted Non-GAAP Expenditures GAAP Revenues/(Expenditures) Not Budgeted Contractually Restricted Energy Performance Leases Prior Period Adjustment (see Note 29) ENDING GENERAL FUND SURPLUS ADJUSTMENTS TO BUDGETED REVENUE AND EXPENDITURES FOR GA GAAP Medicaid Expenditures Deferred to Fiscal Year 2012-13 for Bud GAAP Payroll Expenditures Deferred to Fiscal Year 2012-13 for Bud GAAP Information Technology Expenditures Deferred to Fiscal Year GAAP Revenues Related to Deferred Medicaid Payroll and Medicaid I GAAP FUND BALANCE NOT AVAILABLE FOR GENERAL FUND SURPLUS: Fair Value of Investments in Excess of Cost | (22,400) 156,700 (279,300) \$ 299,828 AP FUND BALANCE: dget get 2012-13 for Budget Program Expenditures | 156,700 (281,100) | 634,567 156,648 (281,116) 10,282 9,142 (3,842) (2,219) (201) 523,261 (138,192) (85,462) (1,199) 80,600 | | |
| BUDGET BASIS EXPENDITURES BEGINNING GENERAL FUND SURPLUS Release of Prior Year Statutory Reserve (2.3%) Establish Current Year Statutory Reserve (4.0%) Release of Contractually Restricted Energy Performance Leases Budgeted Non-GAAP Expenditures GAAP Revenues/(Expenditures) Not Budgeted Contractually Restricted Energy Performance Leases Prior Period Adjustment (see Note 29) ENDING GENERAL FUND SURPLUS ADJUSTMENTS TO BUDGETED REVENUE AND EXPENDITURES FOR GA GAAP Medicaid Expenditures Deferred to Fiscal Year 2012-13 for Bud GAAP Payroll Expenditures Deferred to Fiscal Year 2012-13 for Bud GAAP Information Technology Expenditures Deferred to Fiscal Year GAAP Revenues Related to Deferred Medicaid Payroll and Medicaid I GAAP FUND BALANCE NOT AVAILABLE FOR GENERAL FUND SURPLUS: Fair Value of Investments in Excess of Cost Restricted | (22,400) 156,700 (279,300) \$ 299,828 AP FUND BALANCE: dget get 2012-13 for Budget Program Expenditures | 156,700 (281,100) | 634,567 156,648 (281,116) 10,282 9,142 (3,842) (2,219) (201) 523,261 (138,192) (85,462) (1,199) 80,600 | | |

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI-1 – BUDGETARY INFORMATION

A. BUDGETARY BASIS

The three budget-to-actual schedules show revenues and expenditures that are legislatively appropriated or otherwise legally authorized (see pages 118 to 120). 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. In Fiscal Year 2011-12, the Act contained Higher Education Institution appropriations of \$1.6 billion of tuition and select fee revenues that were designated as informational only. These informational only appropriations are also excluded from these schedules.

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

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

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

- Payments to employees for time worked in June of each fiscal year are made on the first working day of the following month; for general-funded appropriations those payments are reported as expenditures in the following fiscal year.
- Certain payments by state agencies to the Office of Information Technology for information technology services purchased in June using general-funded appropriations are reported as expenditures in the following fiscal year.

- Medicaid services claims are reported as expenditures only when the Department of Health Care Policy and Financing requests payment by the State Controller for medical services premiums under the Colorado Medical Services Act or for medical service provided by the Department of Human Services under the Colorado Medical Services Act. Similar treatment is afforded to nonadministrative expenditures that qualify for federal participation under Title XIX of the federal Social Security Act except for medically indigent program expenditures. In most years, this results in the Department of Health Care Policy and Financing excluding expenditures accrued for services provided but not yet billed.
- Expenditures of the fiscal year in the following three categories that have not been paid at June 30 are reported in the following year: Old Age Pension Health and Medical Care program costs; state contributions required by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003; and financial administration costs of any non-administrative expenditure under the Children's Basic Health Plan.
- Unrealized gains and losses on investments are not recognized as changes in revenue on the budgetary basis.

B. BUDGETARY PROCESS

The financial operations of the legislative, judicial, and executive branches of State government, with the exception of custodial funds and federal moneys not requiring matching State funds, are controlled by annual appropriations made by the General Assembly. The Department of Transportation's portion of the Highway Fund is appropriated to the State Transportation Commission. Within the legislative appropriation, the Commission may appropriate the specific projects and other operations of the department. In addition, the Commission may appropriate available fund balance from its portion of the Highway Fund.

The total legislative appropriation is constitutionally limited to the unrestricted funds held at the beginning of the year plus revenues estimated to be received during the year as determined by the budgetary basis of accounting. The original appropriation by the General Assembly in the Long Appropriations Act segregates the budget of the State into its operating and capital components. The majority of the capital budgets are accounted for in the Capital Projects Fund, with the primary exception being budgeted capital funds used for infrastructure.

The Governor has line item veto authority over the Long Appropriations Act, but the General Assembly may override each individual line item veto by a two-thirds majority vote in each house.

Most general and cash funded appropriations, with the exception of capital projects, lapse at year-end unless specifically required by the General Assembly or executive action is taken to rollforward all or part of the remaining unspent budget authority. Appropriations that meet the strict criteria for rollforward are reported in Note 41. Since capital projects appropriations are generally available for three years after appropriation, significant amounts of the capital budgets remain unexpended at fiscal year-end. Cash funded highway construction, maintenance and operations in the Department of Transportation are appropriated as operating budgets, but remains available in future years through action of the Transportation Commission. In Fiscal Year 2011-12, the Department of Transportation capitalized a project expenditures of \$341.6 million from all funding sources.

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

On the three budget-to-actual schedules, the column titled Original Appropriation consists of the Long Appropriations Act including anticipated federal funds, special bills, and estimates of statutorily authorized appropriations. The column titled Final Spending Authority includes the original appropriation, federal funds actually awarded if no General Fund matching funds are required, supplemental appropriations of the Legislature, statutorily authorized appropriations, and other miscellaneous budgetary items.

C. OVEREXPENDITURES

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

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

D. BUDGET TO GAAP RECONCILIATION

The Reconciling Schedule – All Budget Fund Types to All GAAP Fund Types (see page 122) shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (see pages 118 to 120) relate to the change in fund balances/net position 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, certain General Purpose Revenue Fund payroll disbursements for employee time worked in June, June general-funded purchases of service from the Office of Information Technology, Medicaid and certain other assistance program payments (see Section A above) accrued but not paid by June 30, are excluded from the budget and from budget basis expenditures. These expenditures are not shown on the budget-to-actual schedules but are included in the budget-to-actual reconciliation schedule as "GAAP Expenditures Not Budgeted". Some transactions considered expenditures for budgetary purposes, such as loan disbursements and capital purchases in proprietary fund types, are not expenditures on a GAAP basis. These expenditures are shown as "Budgeted Non-GAAP Expenditures."

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

The inclusion of these revenues and expenditures and the change in nonbudgeted funds along with the balances

from the budget-to-actual statements is necessary to reconcile to the GAAP fund balance.

E. OUTSTANDING ENCUMBRANCES

The State uses encumbrance accounting as an extension of formal budget implementation in most funds except certain fiduciary funds, and certain Higher Education Institutions Funds. Under this procedure, purchase orders and contracts for expenditures of money are recorded to reserve an equivalent amount of the related appropriation. Encumbrances do not constitute expenditures or liabilities. They lapse at year-end unless specifically brought forward to the subsequent year.

NOTE RSI-2 – SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

As required by GASB Statement No. 45, <u>Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions</u>, the following is the State's Schedule of Funding Progress for its other postemployment benefit plans.

Under the standard, the State must disclose the funding progress of the other postemployment benefit plans for the most recent and two preceding actuarial valuations. See Note 19 on page 70 for additional information regarding the plans listed in the schedule.

| Fiscal Year | Val | tuarial uation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll ¹ (c) | UAAL as a Percentage of Covered Payroll ¹ ((b-a)/c) |
|--------------------------|------------|---------------------------|--|---|----------|--------------------------------------|--------------------------|--|--|
| University of Colo | orado: | | | | | | | | |
| • | | /2010 | | \$ 242 144 000 | ¢ | 242 144 000 | 0.0% | \$ 055 022 / 22 | 40.1% |
| 201 ² 2010 | | /2010 | - | \$ 343,144,000 343,144,000 | \$ \$ | 343,144,000 343,144,000 | 0.0% | \$ 855,022,632 1,023,525,000 | 33.5% |
| 2009 | | /2018 | - | \$ 196,714,735 | \$ | 196,714,735 | 0.0% | \$ 944,167,317 | 20.8% |
| 2008 | | /2008 | _ | \$ 196,714,735 | \$ | 196,714,735 | 0.0% | \$ 898,898,961 | 21.9% |
| 2007 | | /2007 | | \$ 195,972,332 | \$ | 195,972,332 | 0.0% | \$ 831,242,265 | 23.6% |
| | | | | | | | | | |
| Colorado State U RMPR | niversity: | | | | | | | | |
| 201 | I-12 1/1 | /2011 | _ | \$ 28,917,402 | \$ | 28,917,405 | 0.0% | \$ 246,619,145 | 11.7% |
| 2010 | | /2011 | - | \$ 28,917,402 | \$ | 28,917,402 | 0.0% | \$ 248,227,800 | 11.6% |
| 2009 | 9-10 1/1 | /2009 | - | \$ 25,187,719 | \$ | 25,187,719 | 0.0% | \$ 235,974,968 | 10.7% |
| 2008 | 3-09 1/1 | /2009 | - | \$ 25,187,719 | \$ | 25,187,719 | 0.0% | \$ 238,826,606 | 10.5% |
| 2007 | 7-08 1/1 | /2007 | - | \$ 22,079,791 | \$ | 22,079,791 | 0.0% | \$ 199,793,625 | 11.1% |
| RMPS | | | | | | | | | |
| 2011 | I-12 1/1 | /2011 | - | \$ 54,685,666 | \$ | 54,695,666 | 0.0% | N/A | N/A |
| 2010 |)-11 1/1 | /2011 | - | \$ 53,177,425 | \$ | 53,177,425 | 0.0% | N/A | N/A |
| 2009 | 9-10 1/1 | /2009 | - | \$ 55,863,780 | \$ | 55,863,780 | 0.0% | N/A | N/A |
| 2008 | 3-09 1/1 | /2009 | - | \$ 54,271,314 | \$ | 54,271,314 | 0.0% | N/A | N/A |
| 2007 | 7-08 1/1 | /2008 | - | \$ 54,012,423 | \$ | 54,012,423 | 0.0% | N/A | N/A |
| URX | | | | | | | | | |
| 201 | I-12 1/1 | /2011 | - | \$ 2,751,623 | \$ | 2,751,623 | 0.0% | N/A | N/A |
| 2010 |)-11 1/1 | /2011 | - | \$ 2,832,107 | \$ | 2,832,107 | 0.0% | N/A | N/A |
| 2009 | 9-10 1/1 | /2011 | - | \$ 2,822,691 | \$ | 2,822,691 | 0.0% | N/A | N/A |
| 2008 | 3-09 1/1 | /2009 | - | \$ 2,899,120 | \$ | 2,899,120 | 0.0% | N/A | N/A |
| 2007 | 7-08 1/1 | /2008 | - | \$ 4,267,306 | \$ | 4,267,306 | 0.0% | N/A | N/A |
| LTD | | | | | | | | | |
| 2011 | I-12 1/1 | /2011 | - | \$ 13,058,876 | \$ | 13,058,876 | 0.0% | N/A | N/A |
| 2010 |)-11 1/1 | /2011 | - | \$ 13,017,464 | \$ | 13,017,464 | 0.0% | N/A | N/A |
| 2009 | 9-10 1/1 | /2011 | - | \$ 12,300,594 | \$ | 12,300,594 | 0.0% | N/A | N/A |
| 2008 | 3-09 1/1 | /2009 | - | \$ 12,218,851 | \$ | 12,218,851 | 0.0% | N/A | N/A |
| 2007 | 7-08 1/1 | /2008 | - | \$ 10,209,899 | \$ | 10,209,899 | 0.0% | N/A | N/A |

¹ -The CSU-RMPS, CSU-URX, and CSU-LTD plans' benefits are not based on salaries or covered payroll.





Department of Personnel & Administration

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