



September 19, 2014

The Honorable John W. Hickenlooper Governor State of Colorado

The Honorable Mark Ferrandino Speaker of the House Colorado General Assembly

The Honorable Morgan Carroll President of the Senate Colorado General Assembly

Dear Madam and 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 services 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 2014 and will be included in the Comprehensive Annual Financial Report that I expect to issue in late December 2014.

If you have questions, please contact me.

Sincerely,

Robert Jaros, CPA, MBA, JD Colorado State Controller

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, 2014

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STATEMENT OF NET POSITION JUNE 30, 2014

PRIMARY GOVERNMENT

(DOLLARS IN THOUSANDS)	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	\$ 2,295,429	\$ 2,248,081	\$ 4,543,510	\$ 213,610
Investments	8,460	254,874	263,334	67,411
Taxes Receivable, net	1,227,779	135,207	1,362,986	-
Contributions Receivable, net	210 122	400 107	- 410 210	44,877
Other Receivables, net Due From Other Governments	210,122 573,859	400,197 150,443	610,319 724,302	78,279 3,105
Internal Balances	19.338	(19,338)	724,302	3,103
Due From Component Units	54	23,716	23,770	_
Inventories	53,125	54,015	107,140	_
Prepaids and Advances	72,742	35,116	107,858	588
Total Current Assets	4,460,908	3,282,311	7,743,219	407,870
Noncurrent Assets:				
Restricted Cash and Pooled Cash	2,561,865	427,868	2,989,733	154,445
Restricted Investments	657,772	303,678	961,450	190,462
Restricted Receivables	250,418	45,477	295,895	2,726
Investments	428,321	1,895,390	2,323,711	1,967,088
Contributions Receivable, net	-	-	-	69,407
Other Long-Term Assets	677,866	99,523	777,389	958,578
Depreciable Capital Assets and Infrastructure, net	9,600,200	5,877,723	15,477,923	126,307
Land and Nondepreciable Capital Assets	2,023,547	1,356,845	3,380,392	61,968
Total Noncurrent Assets	16,199,989	10,006,504	26,206,493	3,530,981
TOTAL ASSETS	20,660,897	13,288,815	33,949,712	3,938,851
DEFERRED OUTFLOW OF RESOURCES:	18,289	119,847	138,136	4,505
DETERRED OUT LOW OF RESOURCES.	10,207	117,047	136,130	4,505
LIABILITIES:				
Current Liabilities: Tax Refunds Payable	718,211		710 211	
Accounts Payable and Accrued Liabilities	1,036,017	643,212	718,211 1,679,229	29,853
TABOR Refund Liability (Note 8B)	706	043,212	706	27,000
Due To Other Governments	245,300	30,679	275,979	2,330
Due To Component Units	15	528	543	-
Unearned Revenue	92,151	348,353	440,504	7,656
Accrued Compensated Absences	10,470	18,117	28,587	-
Claims and Judgments Payable	51,299	-	51,299	22,251
Leases Payable	26,941	6,610	33,551	951
Notes, Bonds, and COPs Payable	187,910	244,366	432,276	50,165
Other Postemployment Benefits	-	14,076	14,076	-
Other Current Liabilities	22,225	126,989	149,214	111,650
Total Current Liabilities	2,391,245	1,432,930	3,824,175	224,856
Noncurrent Liabilities:	400		400	007 705
Deposits Held In Custody For Others	139	-	139	307,705
Accrued Compensated Absences	145,992	250,148	396,140	-
Claims and Judgments Payable Capital Lease Payable	312,226 148,055	40,982	353,208	- 257
Derivative Instrument Liability	146,033	35,582 8,566	183,637 8,566	257
Notes, Bonds, and COPs Payable	1,541,226	4,131,410	5,672,636	772,852
Due to Component Units	.,0,220	1,743	1,743	
Other Postemployment Benefits		181,646	181,646	-
Other Long-Term Liabilities	402,954	44,813	447,767	60,799
Total Noncurrent Liabilities	2,550,592	4,694,890	7,245,482	1,141,613
TOTAL LIABILITIES	4,941,837	6,127,820	11,069,657	1,366,469
		57.2.7525	***************************************	
DEFERRED INFLOW OF RESOURCES:	4,659	-	4,659	718
NET POSITION:	10 100 947	2 425 510	12 024 244	107.047
Net investment in Capital Assets: Restricted for:	10,198,847	3,635,519	13,834,366	187,067
Construction and Highway Maintenance	1,086,388	-	1,086,388	-
Education	1,105,996	688,988	1,794,984	-
Unemployment Insurance	-	400,352	400,352	-
Debt Service	44,752	39,862	84,614	-
Emergencies	153,150	34,000	187,150	63
Permanent Funds and Endowments:				
Expendable	7,271	8,300	15,571	810,894
Nonexpendable Other Burneses	800,132	63,816	863,948	757,607
Other Purposes Unrestricted	358,793 1 977 361	56,296 2,353,709	415,089 4 331 070	574,524 246,014
	1,977,361	2,353,709	4,331,070	246,014
TOTAL NET POSITION	\$ 15,732,690	\$ 7,280,842	\$ 23,013,532	\$ 2,576,169

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

	Expe	enses		Program Revenues						
(DOLLARS IN THOUSANDS)		Indirect			•		Operating		Capital	
			Cost	C	harges for	G	rants and	Gr	ants and	
Functions/Programs	Expenses	Α	llocation		Services	Co	ntributions	Con	tributions	
Primary Government:										
Governmental Activities:										
General Government	\$ 466,387	\$	(19,358)	\$	154,919	\$	258,933	\$	25	
Business, Community, and										
Consumer Affairs	638,742		2,180		135,447		246,105		-	
Education	5,470,879		1,656		60,264		727,681		-	
Health and Rehabilitation	719,818		974		80,404		387,212		-	
Justice	1,837,383		5,456		196,385		190,814		19	
Natural Resources	90,382		1,711		191,980		53,093		54	
Social Assistance	8,084,107		3,072		673,007		4,744,368		-	
Transportation	1,776,058		1,935		421,246		177,330		720,756	
Interest on Debt	52,808		-		-		-		-	
Total Governmental Activities	19,136,564		(2,374)		1,913,652		6,785,536		720,854	
Duciness Tune Askinikies			<u>.</u>	•						
Business-Type Activities: Higher Education	5,613,406		1,583		3,733,969		1,930,419		53,873	
Unemployment Insurance	765,540		1,583		3,733,969 740,793		212,561		53,873	
	477,161		263		546,234		555		-	
Lottery			203							
Parks and Wildlife	170,894		-		131,136		30,445		1,712	
College Assist	341,587		97		7,511		350,336		-	
Other Business-Type Activities	220,798		431		282,276		42,427		35	
Total Business-Type Activities	7,589,386		2,374		5,441,919		2,566,743		55,620	
Total Primary Government	26,725,950		-		7,355,571		9,352,279		776,474	
Component Units:										
Colorado Water Resources and										
Power Development Authority	61,620		_		40,527		18,488		_	
University of Colorado Foundation	141,096		_		5,100		203,909		-	
Colorado State University Foundation	48,527		-				63,901		-	
Colorado School of Mines Foundation	21,438		-		1,800		45,125		-	
University of Northern Colorado Foundation	9,417		-		-		19,602		-	
Other Component Units	160,023		-		79,887		4,424		24,136	
Total Component Units	\$ 442,121	\$	-	\$	127,314	\$	355,449	\$	24,136	
•										

General Revenues:

Taxes:

Sales and Use Taxes

Excise Taxes

Individual Income Tax

Corporate Income Tax

Other Taxes

Restricted for Education:

Individual Income Tax

Corporate and Fiduciary Income Tax

Restricted for Transportation:

Fuel Taxes

Other Taxes

Unrestricted Investment Earnings (Losses)

Other General Revenues

Payment from State of Colorado

Special and/or Extraordinary Items (See Note 35)

(Transfers-Out) / Transfers-In Internal Capital Contributions

Permanent Fund Additions

Total General Revenues, Special Items, and Transfers

Change in Net Position

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

Accounting Changes (Note 29B) Net Position - Fiscal Year Ending

Net (Expense) Revenue and

changes in Net Position	hanges	in	Net	Position
-------------------------	--------	----	-----	----------

			Government	Primary			
Component		· · · · · · · · · · · · · · · · · · ·					
Units	Total		ctivities	А	Activities		
	(33,152)	\$	-	\$	(33,152)	\$	
	(259,370)		-		(259,370)		
	(4,684,590)		-		(4,684,590)		
	(253,176)		-		(253,176)		
	(1,455,621)		-		(1,455,621)		
	153,034		-		153,034		
	(2,669,804)				(2,669,804)		
	(52,808)		_		(52,808)		
	(9,714,148)		-		(9,714,148)		
	103,272		103,272		-		
	187,814 69,365		187,814 69,365		-		
	(7,601)		(7,601)				
	16,163		16,163		-		
	103,509		103,509		-		
	472,522		472,522		-		
	(9,241,626)		472,522		(9,714,148)		
(2,605)	-		-		-		
67,913	-		-		-		
15,374			-		-		
25,487 10,185	-		-		-		
(51,576)	-		_		_		
64,778	-		-		-		
-	2,754,424		-		2,754,424		
-	236,737		-		236,737		
-	5,285,634		-		5,285,634		
-	600,002 609,260		-		600,002 609,260		
_	421,723				421,723		
-	57,075		-		57,075		
-	573,544		-		573,544		
-	350		-		350		
53,514	14,988 112,958		-		14,988 112,958		
	112,956		-		112,936		
16,321	- (22 104)		(22 104)		-		
-	(22,186)		(22,186) 172,413		- (172,413)		
-	-		-		-		
- 40.050	397		150.007		397		
69,853	10,644,906		150,227		10,494,679		
134,631	1,403,280		622,749		780,531		
2,441,538	21,647,437		6,688,706		14,958,731		
-	1,435		(285)		1,720		
- 0.537.4:=	(38,620)		(30,328)		(8,292)		
\$ 2,576,169	23,013,532	\$	7,280,842	\$	15,732,690	\$	

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2014

(DOLLARS IN THOUSANDS)		DECOLIDAT	HIGHWAY
	GENERAL	RESOURCE EXTRACTION	USERS TAX
	OLIVEICAL	EXTRACTION	TAX
ASSETS:			
Cash and Pooled Cash	\$ 423,273	\$ 720,574	\$ 34,800
Taxes Receivable, net	1,380,124	22,575	-
Other Receivables, net	95,455	22,912	2,956
Due From Other Governments	536,569	962	-
Due From Other Funds	70,707	35,368	5,278
Due From Component Units	54	-	-
Inventories	8,721	35,868	7,673
Prepaids and Advances	38,529	20,001	1,481
Restricted Assets:			
Restricted Cash and Pooled Cash	225,307	63,500	1,050,802
Restricted Investments	-	-	-
Restricted Receivables	512	-	249,906
Investments	264,413	-	-
Other Long-Term Assets	-	384,413	7,680
Capital Assets Held as Investments	-	-	-
TOTAL ASSETS	\$ 3,043,664	\$ 1,306,173	\$ 1,360,576
LIADULTIES.			
LIABILITIES:	¢ 705.004	11 140	¢ 404
Tax Refunds Payable Accounts Payable and Accrued Liabilities	\$ 705,806	11,149	\$ 484
•	666,043	6,645	176,984
TABOR Refund Liability (Note 8B)	706	01.070	22.020
Due To Other Governments Due To Other Funds	91,719	81,872	32,928
	376,626	10,245	1,349
Due To Component Units Unearned Revenue	15	- E1/	17 12/
	18,641	516	17,136
Compensated Absences Payable Claims and Judgments Payable	31 282	-	- 7
	202		,
Notes, Bonds, and COPs Payable	-	-	-
Other Current Liabilities	15,025	-	26
Deposits Held In Custody For Others	4	-	=
TOTAL LIABILITIES	1,874,898	110,427	228,914
DEFERRED INFLOW OF RESOURCES:	215,663	535	1,290
FUND BALANCES:			
TOTAL BALLATOLS.			
Nonspendable:			
Inventories	8,721	35,868	7,673
Permanent Fund Principal	-	-	
Prepaids	38,535	20,001	1,481
Restricted	468,758	77,370	1,086,388
Committed	411,357	1,061,972	34,830
Assigned	25,732	-	- 1,000
TOTAL FUND BALANCES	953,103	1,195,211	1,130,372
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,828,001	\$ 1,305,638	\$ 1,359,286

(CAPITAL STATE							
Р	ROJECTS	EDUC	CATION		FUNDS		TOTAL	
\$	143,625	\$	-	\$	915,334	\$	2,237,606	
	_		_		38,914		1,441,613	
	657		7		86,517		208,504	
	325 135,558		- 79,752		35,514 116,623		573,370 443,286	
	133,330		-		110,023		54	
	-		-		140		52,402	
	4		-		7,597		67,612	
	- 2.047	1,0	014,211		208,045		2,561,865	
	3,847 -		-		653,925 -		657,772 250,418	
	990		-		171,378		436,781	
	71		-		67,962		460,126	
	-		-		68,332		68,332	
\$	285,077	\$ 1,0	093,970	\$	2,370,281	\$	9,459,741	
\$	-	\$	-	\$	772	\$	718,211	
	11,007		6,144		102,940		969,763	
	-		-		-		706	
	-		12		38,769		245,300	
	82		-		59,366		447,668 15	
	337		-		50,786		87,416	
	-		-		-		31	
	-		-		88		377	
	-		-		130		130	
	1		-		3,828		18,880	
	-		-		135		139	
	11,427		6,156		256,814		2,488,636	
•	-		-		9,413		226,901	
	-		-		140		52,402	
	-		-		868,383		868,383	
	2 200		-		7,596 293,949		67,617	
	3,298 270,348	1,0	087,814		933,986		3,017,577 2,712,493	
					-		25,732	
	273,650	1.0	087,814		2,104,054		6,744,204	
				Φ.		Φ.		
\$	285,077	\$ 1,0	093,970	\$	2,360,868	\$	9,232,840	

GOVERNMENTAL FUNDS BALANCE SHEET RECONCILED TO STATEMENT OF NET POSITION JUNE 30, 2014

		(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	\$ 2,237,606	\$ 57,823	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,295,429
Investments	-	-	-	-	-	8,460	-	8,460
Taxes Receivable, net	1,441,613	-	-	-	-	(213,834)	-	1,227,779
Contributions Receivable, net Other Receivables, net	208,504	510	_	_	_	1,108	_	210,122
Due From Other Governments	573,370	489	-	-	-	-	-	573,859
Due From Other Funds	443,286	1,066	-	-	-	(1,086)	(423,928)	19,338
Due From Component Units Inventories	54 52,402	723	-	-	-	-	-	54 53,125
Prepaids and Advances	67,612	5,130	-	-	-	-	-	72,742
Total Current Assets	5,024,447	65,741	-	-	-	(205,352)	(423,928)	4,460,908
Noncurrent Assets:								
Restricted Cash and Pooled Cash	2,561,865	-	-	-	-	-	-	2,561,865
Restricted Investments Restricted Receivables	657,772 250,418	-	-	-	-	-	-	657,772 250,418
Investments	436,781	-	-	-	-	(8,460)	-	428,321
Other Long-Term Assets	460,126			-	-	217,740	-	677,866
Depreciable Capital Assets and Infrastructure, net Land and Nondepreciable Capital Assets	20,883 47,449	86,045 38,540	9,493,272 1,937,558	-	-	-	-	9,600,200 2,023,547
Total Noncurrent Assets	4,435,294	124,585	11,430,830			209,280		16,199,989
TOTAL ASSETS	9,459,741	190,326	11,430,830	-	-	3,928	(423,928)	20,660,897
DEFERRED OUTFLOW OF RESOURCES:		-	-	-	-	18,289	-	18,289
LIABILITIES: Current Liabilities: Tax Refunds Payable Accounts Payable and Accrued Liabilities TABOR Refund Liability (Note 8B) Due To Other Governments Due To Other Funds Due To Other Funds Due To Component Units Unearned Revenue Compensated Absences Payable Claims and Judgments Payable Leases Payable Notes, Bonds, and COPs Payable Other Current Liabilities Total Current Liabilities Noncurrent Liabilities: Deposits Held In Custody For Others Accrued Compensated Absences Claims and Judgments Payable Capital Lease Payable Notes, Bonds, and COPs Payable Other Long-Term Liabilities	718,211 969,763 706 245,300 447,668 15 87,416 31 377 - 130 18,880 2,488,497	33,343 - 1,079 - 4,974 299 - 18,443 870 37 59,045	- - - - - - - - - - - - - - - - - - -	8,092 - - - - - - - - - - - - - - - - - - -	41,420 	24,819 - (24,819) - (239) 10,140 9,502 - 3,308 22,711 - 137,729 191,150 - 402,954 731,833	(423,928) - (423,928) - (423,928) - (423,928)	718,211 1,036,017 706 245,300 15 92,151 10,470 51,299 26,941 187,910 22,225 2,391,245 145,992 312,226 148,055 1,541,226 402,954 2,550,592
TOTAL LIABILITIES	2,488,636	150,872		1,809,217	162,496	754,544	(423,928)	4,941,837
TO THE EIROSETTES	2,100,000	100,072		1,007,217	102,170	701,011	(120,720)	1,711,007
DEFERRED INFLOW OF RESOURCES:	226,901	-	-	-	-	(222,242)	-	4,659
NET POSITION: Net investment in Capital Assets: Restricted for:	68,202	29,163	11,430,830	(1,329,348)	-	-	-	10,198,847
Construction and Highway Maintenance	1,094,477	-	-	(8,089)	-	-	-	1,086,388
Education	1,359,134	-	-	(253,138)	-	-	-	1,105,996
Debt Service Emergencies	44,752 153,150	-	-	-	-	-	-	44,752 153,150
Permanent Funds and Endowments:	155,150	-	-	-	-	-	-	155,150
Expendable	7,271	-	-	-	-	-	-	7,271
Nonexpendable Other Purposes	800,132 358,793	-	-	-	-	-	-	800,132 358,793
Unrestricted	2,858,293	10,291	-	(218,642)	(162,496)	(510,085)	-	1,977,361
TOTAL NET POSITION	\$ 6,744,204	\$ 39,454	\$ 11,430,830	\$ (1,809,217)	\$ (162,496)	\$ (510,085)	\$ -	\$ 15,732,690
TO THE REP. TO STITION	Ψ 0,744,204	¥ 37,734	\$ 11,430,030	Ψ (1,007,217)	ψ (102, 17 70)	\$ (510,065)	<u> </u>	₩ 13,732,070

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 training services provided by the Department of Personnel & Administration, and 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,
 - Legal services, and
 - Others including 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 a deferred inflow of resources on the fund-level Balance Sheet Governmental Funds. From an economic perspective, this revenue is earned and the related deferred inflow of resources 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, 2014

(DOLLARS IN THOUSANDS)		RESOURCE	HIGHWAY USERS		
	GENERAL	EXTRACTION	TAX		
REVENUES:					
Taxes:					
Individual and Fiduciary Income	\$ 5,272,649	\$ -	\$ -		
Corporate Income	665,363	-	-		
Sales and Use	2,666,090	-	-		
Excise	93,788	-	573,543		
Other Taxes	240,161	251,240	350		
Licenses, Permits, and Fines	19,951	2,674	346,218		
Charges for Goods and Services	72,148	9,300	125,930		
Rents	235	3	2,322		
Investment Income (Loss)	25,155	20,928	15,546		
Federal Grants and Contracts	6,061,299	182,704	742,749		
Additions to Permanent Funds	-	-	-		
Unclaimed Property Receipts	-	- 0.447	-		
Other -	144,105	2,117	140,307		
TOTAL REVENUES	15,260,944	468,966	1,946,965		
EXPENDITURES:					
Current:					
General Government	257,110	-	10,947		
Business, Community, and Consumer Affairs	187,277	7,831	-		
Education	645,474	=	-		
Health and Rehabilitation	562,333	-	10,505		
Justice	1,293,551	=	109,317		
Natural Resources	44,835	49,181	-		
Social Assistance	7,180,059	-	-		
Transportation		-	1,192,635		
Capital Outlay	195,678	360	33,530		
Intergovernmental:					
Cities	113,031	52,163	185,693		
Counties	1,233,614	48,603	211,707		
School Districts	3,783,791	2,309	-		
Special Districts	54,588	19,174	44,052		
Federal Other	676	504	204		
Debt Service	25,457	4,747	204		
TOTAL EXPENDITURES	43,411 15,620,885	184,872	1,798,590		
-	15,020,865	104,072			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(359,941)	284,094	148,375		
OTHER FINANCING SOURCES (USES):					
Transfers-In	4,440,551	31,503	10,962		
Transfers-Out	(4,033,688)	(110,988)	(227,051)		
Face Amount of Bond/COP Issuance	89,510	(110,700)	(227,031)		
Bond/COP Premium/Discount	6,358				
Capital Lease Proceeds	11,127	_	_		
Sale of Capital Assets	21	_	_		
Insurance Recoveries	60		543		
Bond/COP Refunding Issuance	-	-	-		
TOTAL OTHER FINANCING SOURCES (USES)	513,939	(79,485)	(215,546)		
NET CHANGE IN FUND BALANCES	153,998	204,609	(67,171)		
FUND BALANCE, FISCAL YEAR BEGINNING	799,105	989,751	1,197,543		
Prior Period Adjustment (See Note 29A)	-	-	-		
Accounting Changes (See Note 29B)	_	851	=		
-	ф 0E2.122				
FUND BALANCE, FISCAL YEAR END	\$ 953,103	\$ 1,195,211	\$ 1,130,372		

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ -	\$ 423,495	\$ -	\$ 5,696,144
-	55,303	-	720,666
-	-	48,420	2,714,510
-	-	144,565	811,896
- 7	-	153,359	645,110
		388,812 700,467	757,662 907,845
-	-	180,332	182,892
2,019	11,421	37,339	112,408
10,039	-	181,356	7,178,147
-	-	397	397
-	-	52,540	52,540
1,914	201	76,073	364,717
13,979	490,420	1,963,660	20,144,934
5,215	_	39,827	313,099
3	-	200,334	395,445
14,445	47,531	22,881	730,331
110	-	85,028	657,976
114,967	-	90,195	1,608,030
	-	12,937	106,953
54	-	233,552	7,413,665
57,306	-	2,878	1,195,513
57,306	-	11,102	297,976
-	-	60,891	411,778
-	-	79,517	1,573,441
-	666,320	22,699	4,475,119
-	-	10,246 1,856	128,060 3,036
-	377	40,542	71,327
2,728	-	214,972	261,111
194,828	714,228	1,129,457	19,642,860
(180,849)	(223,808)	834,203	502,074
220.041	70.752	402 212	E 20E 041
339,961 (66,529)	79,752 (25,297)	493,212 (1,060,015)	5,395,941 (5,523,568)
(00,027)	(23,271)	7,100	96,610
-	-		6,358
13,905	-	-	25,032
=	-	26,495	26,516
1,201	-	302	2,106
111,780	-	-	111,780
400,318	54,455	(532,906)	140,775
219,469	(169,353)	301,297	642,849
54,181	1,257,167	1,802,472	6,100,219
-	-	285	285
-	-	-	851
\$ 273,650	\$ 1,087,814	\$ 2,104,054	\$ 6,744,204

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES RECONCILED TO STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

		(A)	(B)	(C)	(D)	
(DOLLARS IN THOUSANDS)					OTHER	
,	TOTAL	INTERNAL	CAPITAL	LONG-TERM	MEASUREMENT	STATEMENT OF
	GOVERNMENTAL	SERVICE	RELATED	DEBT	FOCUS	ACTIVITIES
	FUNDS	FUNDS	ITEMS	TRANSACTIONS	ADJUSTMENTS	TOTALS
REVENUES:						
Taxes:						
Individual and Fiduciary Income	\$ 5,696,144	\$ -	\$ -	\$ -	\$ 12,551	\$ 5,708,695
Corporate Income	720,666	-	-	-	(65,360)	655,306
Sales and Use Excise	2,714,510 811,896	-	-	-	39,913	2,754,423 810,279
Other Taxes	645,110	-	-	-	(1,617) (6,430)	638,680
Licenses, Permits, and Fines	757,662	-	-	-	(6)	757,656
Charges for Goods and Services	907,845	_	-	-	(2)	907,843
Rents	182,892	-	-	-	-	182,892
Investment Income (Loss)	112,408	171	-	-	5	112,584
Federal Grants and Contracts	7,178,147	-	-	-	(882)	7,177,265
Additions to Permanent Funds	397	-	-	-	-	397
Unclaimed Property Receipts	52,540	-	-	-	-	52,540
Other	364,717	-	12	-	5	364,734
TOTAL REVENUES	20,144,934	171	12	-	(21,823)	20,123,294
EXPENDITURES:						
Current:	040.000	(7.504)	44740		44.477	204.047
General Government Business, Community, and Consumer Affairs	313,099 395,445	(7,521) (3,829)	14,762 4,921	-	14,476 (19,454)	334,816 377,083
Education	730,331	(3,829)	15,456	-	(19,454)	746,065
Health and Rehabilitation	657,976	(1,235)	18,233	-	594	675,568
Justice	1,608,030	(2,939)	(71,812)	-	4,336	1,537,615
Natural Resources	106,953	(1,898)	1,028	-	(381)	105,702
Social Assistance	7,413,665	(6,964)	12,309	=	(261)	7,418,749
Transportation	1,195,513	(1,384)	55,094	-	586	1,249,809
Capital Outlay	297,976	-	(270,828)	-	-	27,148
Intergovernmental:						
Cities	411,778	-	-	-	-	411,778
Counties	1,573,441	=	-	-	-	1,573,441
School Districts	4,475,119	-	-	-	-	4,475,119
Special Districts Federal	128,060 3,036	-	102	-	-	128,060 3,138
Other	71,327	-	102	-	-	71,327
Debt Service	261,111	2,429	-	(184,759)	-	78,781
TOTAL EXPENDITURES	19,642,860	(23,726)	(220,735)	(184,759)	559	19,214,199
TOTAL EXILENDITORES	17,042,000	(23,720)	(220,733)	(104,737)	337	17,214,177
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	502,074	23,897	220,747	184,759	(22,382)	909,095
OTHER FINANCING SOURCES (USES):						
Transfers-In	5,395,941	6,900				5,402,841
Transfers-Out	(5,523,568)	(11,422)	-	-	-	(5,534,990)
Face Amount of Bond/COP Issuance	96,610	(11,422)	_	(96,506)	_	104
Bond/COP Premium/Discount	6,358	-	-	(5,100)	-	1,258
Capital Lease Proceeds	25,032	=	-	(25,032)	-	
Sale of Capital Assets	26,516	-	(27,560)	-	-	(1,044)
Insurance Recoveries	2,106	-	-	-	-	2,106
Bond/COP Refunding Issuance	111,780	-	-	(111,780)	-	-
Bond/COP Refunding Payments		-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	140,775	(4,522)	(27,560)	(238,418)	-	(129,725)
Internal Service Fund Charges to BTAs	-	1,161	-	-	-	1,161
NET CHANGE FOR THE YEAR	642.849	20,536	193,187	(53,659)	(22,382)	780,531
				(,)	(, , , , , , , ,	
Prior Period Adjustment (See Note 29A)	285	1433	-	-	-	1718
Accounting Changes (See Note 29B)	851	-	-	(9,143)	-	(8,292)
TOTAL CHANGE FOR THE CURRENT YEAR WITH PRIOR PERIOD ADJUSTMENT	\$ 643,985	\$ 21,969	\$ 193,187	\$ (62,802)	\$ (22,382)	\$ 773,957

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 training services provided by the Department of Personnel & Administration, and 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 and telecommunication services,
 - Building maintenance and management in the capitol complex,
 - Administrative court services,
 - Legal services, and
 - Others including 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 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.
- (D) Other measurement focus adjustments include:
 - Long-term taxes receivable and certain other long-term assets are offset by deferred inflows or unearned 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 unearned 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, 2014

(C.O.) A CO. IN THOUGH NO.)			
(DOLLARS IN THOUSANDS)	HIGHER	LINEMDI OVMENT	
	EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE	
ACCETC			
ASSETS: Current Assets:			
Cash and Pooled Cash	\$ 1,049,773	\$ 627,910	
Investments	254,275	- 0277710	
Premiums Receivable, net	-	135,207	
Student and Other Receivables, net	348,103	7,963	
Due From Other Governments	132,831	4,547	
Due From Other Funds	5,482	-	
Due From Component Units	23,716	-	
Inventories	36,538	10 214	
Prepaids and Advances	14,977	10,214	
Total Current Assets	1,800,090	785,841	
Ioncurrent Assets:			
Restricted Cash and Pooled Cash	382,713	-	
Restricted Investments	303,678	-	
Restricted Receivables	-	-	
Investments Other Long-Term Assets	1,828,074	-	
Other Long-Term Assets Depreciable Capital Assets and Infrastructure, net	97,531 5,325,281	73	
Land and Nondepreciable Capital Assets	788,664	163	
· · ·			
Total Noncurrent Assets	8,725,941	236	
OTAL ASSETS	10,591,636	786,077	
DEFERRED OUTFLOW OF RESOURCES:	119,847	-	
IABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	561,548	1,801	
Due To Other Governments	-	1	
Due To Other Funds	2,114	-	
Due To Component Units	528	-	
Unearned Revenue	218,009	-	
Compensated Absences Payable	17,016	-	
Leases Payable	6,228	-	
Notes, Bonds, and COPs Payable Other Pastemplayment Repolits	118,521	124,960	
Other Postemployment Benefits Other Current Liabilities	14,076 84,752	7,605	
Total Current Liabilities	1,022,792	134,367	
Noncurrent Liabilities:			
Due to Other Funds	-	-	
Accrued Compensated Absences	239,084	-	
Claims and Judgments Payable	40,982	-	
Capital Lease Payable	30,899	-	
Derivative Instrument Liability Notes, Bonds, and COPs Payable	8,566 3,573,482	- 251 122	
Due to Component Units	3,573,482 1,743	251,122	
Other Postemployment Benefits	181,646	-	
Other Long-Term Liabilities	21,303	-	
Total Noncurrent Liabilities	4,097,705	251,122	
OTAL LIABILITIES	5,120,497	385,489	
one empletited	5,120,477	303,407	
IET POSITION:			
let investment in Capital Assets:	2,824,969	236	
Restricted for:	, ,		
Education	688,988		
Unemployment Insurance	-	400,352	
Debt Service	39,862	-	
Emergencies	<u> </u>	-	
5 . 5 . 1 . 5			
Permanent Funds and Endowments:			
Expendable	8,300	-	
Expendable Nonexpendable	8,300 63,816	-	
Expendable Nonexpendable Other Purposes	63,816 -	- - -	
Expendable Nonexpendable		- - - - \$ 400,588	

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS

GOVERNMENTAL ACTIVITIES

				INTERNAL
	STATE	OTHER		SERVICE
L	OTTERY.	ENTERPRISES	TOTAL	FUNDS
-				•
\$	39,128	\$ 531,270	\$ 2,248,081	\$ 57,823
	-	599	254,874	-
	-	-	135,207	
	19,080	25,048	400,194	510
	-	13,065	150,443	489
		6,029	11,511	1,066
	- 1,257	16,220	23,716 54,015	723
	5,136	4,789	35,116	5,130
	64,601	597,020	3,313,157	65,741
	04,001	377,020	3,313,137	00,741
	-	45,155	427,868	-
	-		303,678	-
	-	45,477	45,477	
	-	67,316	1,895,390	-
	-	1,992	99,523	- 0/ 0/5
	958	551,411	5,877,723	86,045
	-	568,018	1,356,845	38,540
	958	1,279,369	10,006,504	124,585
	65,559	1,876,389	13,319,661	190,326
	-	-	119,847	
	4,812	58,446	626,607	33,343
	383	30,295	30,679	
	30,509	6,949	39,572	1,079
	-	-	528	-
	9	130,344 1,092	348,353	4,974 299
	7	382	18,117	18,443
	-	885	244,366	870
	_	-	14,076	-
	26,011	8,621	126,989	37
	61,724	237,014	1,455,897	59,045
	61,724	237,014	1,455,697	59,045
	-	7,879	7,879	-
	700	10,364	250,148	8,263
	-	-	40,982	-
	-	4,683	35,582	83,563
	-		8,566	Ī.
	-	306,806	4,131,410	1
	-	-	1,743	. <u> </u>
	- 41	22.440	181,646	-
	61	23,449	44,813	
	761	353,181	4,702,769	91,827
	62,485	590,195	6,158,666	150,872
	958	809,356	3,635,519	29,163
			688,988	
	-	-	400,352	-
	-		39,862	-
	-	34,000	34,000	-
	_		8,300	
	-	-	63,816	-
	_	56,296	56,296	_
	2,116	386,542	2,353,709	10,291
\$	3,074	\$ 1,286,194	\$ 7,280,842	\$ 39,454
¥	5,074	Ψ 1,200,174	Ψ 1,200,042	Ψ 37,434

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE			
OPERATING REVENUES:					
Unemployment Insurance Premiums	\$ -	\$ 736,985			
License and Permits	-	46			
Tuition and Fees	2,465,200	-			
Scholarship Allowance for Tuition and Fees	(562,369)	-			
Sales of Goods and Services	1,718,793	_			
Scholarship Allowance for Sales of Goods & Services	(20,844)	_			
Investment Income (Loss)	1,426	-			
Rental Income	16,052	-			
Gifts and Donations	25,183	_			
Federal Grants and Contracts	981,601	195,367			
Intergovernmental Revenue	11,406	175,507			
Other	290,610	_			
OTAL OPERATING REVENUES	4,927,058	932,398			
DPERATING EXPENSES:					
Salaries and Fringe Benefits	3,662,650	1,449			
Operating and Travel	1,233,596	758,297			
Cost of Goods Sold	153,150	. 50,271			
Depreciation and Amortization	360,057	-			
·		-			
Intergovernmental Distributions	31,760	-			
Debt Service Prizes and Awards	443	-			
		750.747			
TOTAL OPERATING EXPENSES	5,441,656	759,746			
DPERATING INCOME (LOSS)	(514,598)	172,652			
NONOPERATING REVENUES AND (EXPENSES): Taxes					
Fines and Settlements	- 11,145	3,760			
Investment Income (Loss)	257,931	17,194			
Rental Income	12,701	3			
Gifts and Donations	161,727	-			
Intergovernmental Distributions	(20,742)	-			
Federal Grants and Contracts	290,893	-			
Gain/(Loss) on Sale or Impairment of Capital Assets	(2,418)	=			
Insurance Recoveries from Prior Year Impairments	3	-			
Debt Service	(146,424)	(5,793)			
Other Expenses	(4,475)	-			
Other Revenues	5,475	-			
TOTAL NONOPERATING REVENUES (EXPENSES)	565,816	15,164			
NCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	51,218	187,816			
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:					
Capital Contributions	90,590	_			
Additions to Permanent Endowments	172	-			
Special and/or Extraordinary Item (See Note 35)	(22,185)	-			
Transfers-In	206,027	-			
Transfers-Out	(3,911)	(3,441)			
OTAL CONTRIBUTIONS AND TRANSFERS	270,693	(3,441)			
CHANGE IN NET POSITION	321,911	184,375			
NET POSITION - FISCAL YEAR BEGINNING	5,296,037	218,076			
Prior Period Adjustments (See Note 29A)	(285)	-			
Accounting Changes (See Note 29B)	(26,677)	(1,863)			
NET POSITION - FISCAL YEAR ENDING	\$ 5,590,986	\$ 400,588			

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS

GOVERNMENTAL ACTIVITIES

STATE	OTHER		INTERNAL SERVICE
LOTTERY	ENTERPRISES	TOTAL	FUNDS
\$ -	\$ -	\$ 736,985	\$ -
66	106,736	106,848	Ψ -
-	469	2,465,669	_
	-	(562,369)	-
545,028	206,782	2,470,603	300,963
-	-	(20,844)	-
-	10,278	11,704	-
-	1,695	17,747	14,450
	-	25,183	<u> </u>
-	430,810	1,607,778	-
-	24,018	35,424	.
1,137	11,777	303,524	136
546,231	792,565	7,198,252	315,549
9,539	271,210	3,944,848	165,775
57,698	383,914	2,433,505	102,833
12,196	35,083	200,429	8,347
960	18,017	379,034	17,516
-	10,758	42,518	3
-	11,691	11,691	-
336,511	485	337,439	=
416,904	731,158	7,349,464	294,474
129,327	61,407	(151,212)	21,075
-	34,920	34,920	=
_	564	15,469	_
555	7,030	282,710	172
-	9,225	21,929	-
-	1,381	163,108	-
(60,321)	-	(81,063)	-
-	-	290,893	816
-	3,625	1,207	1,763
	175	178	-
-	(6,978)	(159,195)	1,231
-	(55)	(4,530)	-
(50.7(1)	- 40.007	5,475	
(59,766)	49,887	571,101	3,982
69,561	111,294	419,889	25,057
	1,985	92,575	1 150
_	1,765	42,575 172	1,159
_		(22,185)	
	21,821	227,848	5,741
(70,279)	(17,919)	(95,550)	(11,421)
(70,279)	5,887	202,860	(4,521)
(718)	117,181	622,749	20,536
3,792	1,170,801	6,688,706	17,548
		(205)	1 /10/
-	- (1,788)	(285)	1,434
		(30,328)	(64)
\$ 3,074	\$ 1,286,194	\$ 7,280,842	\$ 39,454

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2014

-				
(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS		UNEMPLOYMENT INSURANCE	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from:				
Tuition, Fees, and Student Loans	\$	1,927,083	\$	-
Fees for Service		1,626,563		-
Sales of Products		2,648		-
Gifts, Grants, and Contracts		1,518,905	19	3,597
Loan and Note Repayments		426,676		-
Unemployment Insurance Premiums		-	73	2,578
Income from Property		28,752		-
Other Sources		113,120		-
Cash Payments to or for:				
Employees		(3,462,049)		-
Suppliers		(1,383,716)		-
Sales Commissions and Lottery Prizes		-		-
Unemployment Benefits		-	(75	7,319)
Scholarships		(116,281)		-
Others for Student Loans and Loan Losses		(423,869)		-
Other Governments		(31,760)	-	-
Other		(71,558)		-
Component Unit Cash Flows from Operating Activities				
NET CASH PROVIDED BY OPERATING ACTIVITIES		154,514	16	8,856
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		004.007		
Transfers-In		206,027	,	-
Transfers-Out		(3,911)	(.	3,441)
Receipt of Deposits Held in Custody		677,772		-
Release of Deposits Held in Custody		(680,360)		-
Gifts and Grants for Other Than Capital Purposes		150,330		-
Intergovernmental Distributions		(20,742)		-
NonCapital Debt Proceeds		- (4 E 4 E)	(12	- - 24E)
NonCapital Debt Service Payments		(6,545)	•	5,365)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES		322,571	(13	8,806)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of Capital Assets		(632,558)		(235)
Capital Contributions		11,871		-
Capital Gifts, Grants, and Contracts		38,785		_
Proceeds from Sale of Capital Assets		4,921		
Capital Debt Proceeds		416,917		_
Capital Debt Proceeds Capital Debt Service Payments		(295,984)		_
Capital Lease Payments		(8,413)		_
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES		(464,461)		(235)
WET ONSTERNOW ON THAT AND RELATED HINMINGING MCHVITLES		(.0.,101)		(200)

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

(Continued)

ENTERPRISE FUNDS	ACTIVITIES
STATE OTHER LOTTERY ENTERPR	
\$ - \$ 5	89 \$ 1,927,672 \$ 3
- 244,5	
546,393 56,9	
- 436,1	
	92 427,068 -
-	- 732,578 -
- 10,9	
1,203 155,0	
(9,398) (148,4	68) (3,619,915) (122,224)
(30,559) (288,5	
(376,008) (6,4	
-	(757,319)
-	- (116,281) -
- (267,4	
- (10,4	21) (42,181) (3)
(45) (9,3	
131,586 173,8	35 628,791 56,969
- 21,8	69 227,896 5,741
(70,279) (17,9	
- 1	00 677,872 136
- (1	31) (680,491) (214)
- 9	73 151,303 -
(67,059)	- (87,801) -
	04) (104) -
	45) (142,355) -
(137,338) 4,2	95 50,722 (5,758)
(18) (213,0	52) (845,863) (32,230)
-	- 11,871 -
	- 38,785
- 6	32 5,553 10,098
-	- 416,917 -
- (6,9	
- (5	45) (8,958) (28,572)
(18) (219,9	01) (684,615) (56,117)

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2014

(Continued)

(DOLLARS IN THOUSANDS)	E	HIGHER DUCATION STITUTIONS		MPLOYMENT SURANCE
CASH FLOWS FROM INVESTING ACTIVITIES: Interest and Dividends on Investments Proceeds from Sale/Maturity of Investments Purchases of Investments		119,278 4,119,983 (4,257,069)		17,194 - -
Increase(Decrease) from Unrealized Gain(Loss) on Investments		2,829		-
NET CASH FROM INVESTING ACTIVITIES		(14,979)		17,194
IET INCREASE (DECREASE) IN CASH AND POOLED CASH		(2,355)		47,009
CASH AND POOLED CASH , FISCAL YEAR BEGINNING		1,435,126		580,901
Prior Period Adjustment (See Note 29)		(285)		-
CASH AND POOLED CASH, FISCAL YEAR END	\$	1,432,486	\$	627,910
RECONCILIATION OF OPERATING INCOME TO NET CASH				
PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss) Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	\$	(514,598)	\$	172,652
Depreciation		360,057		-
Investment/Rental Income and Other Revenue in Operating Income Rents, Fines, Donations, and Grants and Contracts in NonOperating		- 322.259		- 3.763
(Gain)/Loss on Disposal of Capital and Other Assets Compensated Absences		222 15,736		-
Insurance Premiums and State Subsidy Claims and General Insurance Expenses Paid Interest and Other Expense in Operating Income		(14,228)		-
Net Changes in Assets and Liabilities Related to Operating Activities: (Increase) Decrease in Operating Receivables (Increase) Decrease in Inventories		(42,814) 449		1,831
(Increase) Decrease in Other Operating Assets		(7,040)		(9,608)
Increase (Decrease) in Accounts Payable		21,161		283
Increase (Decrease) in Other Operating Liabilities JET CASH PROVIDED BY OPERATING ACTIVITIES	\$	13,310	\$	(65) 168,856
ELL CASH PROVIDED BY OPERATING ACTIVITIES	Ф	154,514	Ф	108,830
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS: Capital Assets Funded by the Capital Projects Fund Capital Assets Acquired by Grants or Donations and Payable Increases Unrealized Gain/Loss on Investments and Interest Receivable Accruals		35,338 60,240 134,661		- -
Loss on Disposal of Capital and Other Assets		24,019		
Amortization of Debt Valuation Accounts and Interest Payable Accruals		35,031		60
Assumption of Capital Lease Obligation or Mortgage		7,570		-
Financed Debt Issuance Costs Fair Value Change in Derivative Instrument		946 233		-

BUSINESS-TYPE ACTIVITIES GOVERNMENTAL ENTERPRISE FUNDS ACTIVITIES STATE OTHER INTERNAL LOTTERY ENTERPRISE TOTALS SERVICE FUNDS 452 15,808 152,732 24 139,362 4,259,345 (4,257,069) 103 1,848 147 4,780 555 157,018 159,788 171 (5,215)115,247 154,686 (4,735)44,343 461,178 2,521,548 62,558 (285)\$ 2,675,949 \$ 39,128 \$ 576,425 57,823 \$ 129,327 \$ 61,407 \$ (151,212) \$ 21,075 17,516 960 18,017 379,034 (10,278)(10,278)48,496 374,518 819 7,972 8,194 (159) (260)15,317 (162) (19,185) 235 (33,413) 1,268 24,798 (14,917) 2,982 (85) (1,552)(1,188)402 (144) 785 (16,007) (3,016) 30,682 13,808 616 8,622 (197)35,013 48,061 3,310

\$ 131.586

3

\$ 173.835

3,969

1,571

7,991

628,791

39,307 61,811

134,661

32,013 35,091 7,570

946 233 56,969

1,159

22,303

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2014

Investments	699,804 - 146,176 351 - 10,519 6 - - - - -
Cash and Pooled Cash \$ 68,071 \$ 165,115 \$ 646 Investments - 646 Taxes Receivable, net - - - Other Receivables, net 603 6,561 - Intrafund Receivables - - - Due From Other Funds 24,392 6,513 - Inventories - - - Prepaids and Advances 1,235 - - Noncurrent Assets: Investments: - - - Sovernment Securities - 13,685 - <	-146,176 351 -10,519 6
Investments	-146,176 351 -10,519 6
Taxes Receivable, net - - - Other Receivables, net 603 6,561 Intrafund Receivables - - - Due From Other Funds 24,392 6,513 Inventories - - - Prepaids and Advances 1,235 - Noncurrent Assets: - - - Investments: - - - - Government Securities - 13,685 - <t< td=""><td>351 - 10,519 6 - - - - - - -</td></t<>	351 - 10,519 6 - - - - - - -
Other Receivables, net 603 6,561 Intrafund Receivables - - Due From Other Funds 24,392 6,513 Inventories - - Prepaids and Advances 1,235 - Noncurrent Assets: - - Investments: - 13,685 Corporate Bonds - 5,522 Repurchase Agreements - 1,081 Asset Backed Securities - 762 Mortgages - 1,300 Mutual Funds - 5,789,152 Other Investments - 78,299 Other Long-Term Assets - -	351 - 10,519 6 - - - - - - -
Intrafund Receivables	- 10,519 6 - - - - - - -
Due From Other Funds 24,392 6,513 Inventories - - Prepaids and Advances 1,235 - Noncurrent Assets: - - Investments: - 13,685 Corporate Bonds - 5,522 Repurchase Agreements - 1,081 Asset Backed Securities - 762 Mortgages - 1,300 Mutual Funds - 5,789,152 Other Investments - 78,299 Other Long-Term Assets - -	- - - - - - -
Inventories - - Prepaids and Advances 1,235 - Noncurrent Assets: - - Investments: - 13,685 Corporate Bonds - 5,522 Repurchase Agreements - 1,081 Asset Backed Securities - 762 Mortgages - 1,300 Mutual Funds - 5,789,152 Other Investments - 78,299 Other Long-Term Assets - -	- - - - - - -
Prepaids and Advances 1,235 - Noncurrent Assets: Investments: - 13,685 Corporate Bonds - 5,522 Repurchase Agreements - 1,081 Asset Backed Securities - 762 Mortgages - 1,300 Mutual Funds - 5,789,152 Other Investments - 78,299 Other Long-Term Assets - -	-
Noncurrent Assets: Investments: Government Securities - 13,685 Corporate Bonds - 5,522 Repurchase Agreements - 1,081 Asset Backed Securities - 762 Mortgages - 1,300 Mutual Funds - 5,789,152 Other Investments - 78,299 Other Long-Term Assets - -	-
Investments: - 13,685 Corporate Bonds - 5,522 Repurchase Agreements - 1,081 Asset Backed Securities - 762 Mortgages - 1,300 Mutual Funds - 5,789,152 Other Investments - 78,299 Other Long-Term Assets - -	
Government Securities - 13,685 Corporate Bonds - 5,522 Repurchase Agreements - 1,081 Asset Backed Securities - 762 Mortgages - 1,300 Mutual Funds - 5,789,152 Other Investments - 78,299 Other Long-Term Assets - -	- - - - -
Corporate Bonds - 5,522 Repurchase Agreements - 1,081 Asset Backed Securities - 762 Mortgages - 1,300 Mutual Funds - 5,789,152 Other Investments - 78,299 Other Long-Term Assets - -	- - - - -
Repurchase Agreements - 1,081 Asset Backed Securities - 762 Mortgages - 1,300 Mutual Funds - 5,789,152 Other Investments - 78,299 Other Long-Term Assets - -	- - - -
Asset Backed Securities - 762 Mortgages - 1,300 Mutual Funds - 5,789,152 Other Investments - 78,299 Other Long-Term Assets - -	- - - -
Mortgages - 1,300 Mutual Funds - 5,789,152 Other Investments - 78,299 Other Long-Term Assets - -	- - -
Mutual Funds - 5,789,152 Other Investments - 78,299 Other Long-Term Assets - -	- - -
Other Investments - 78,299 Other Long-Term Assets	-
Other Long-Term Assets	-
<u> </u>	
TOTAL ASSETS 94.301 6.068.636 \$ 8	13,689
7.11001	870,545
LIABILITIES:	
Current Liabilities:	
Tax Refunds Payable	(1,650)
Accounts Payable and Accrued Liabilities 14,843 8,817	1,276
	262,240
Due To Other Funds	1,086
Intrafund Payables	-
Unearned Revenue - 6,478	_
Claims and Judgments Payable 14,248 -	146
	599,733
Noncurrent Liabilities:	
Deposits Held In Custody For Others - 2,961	3,006
Accrued Compensated Absences 55 -	-
Other Long-Term Liabilities	4,708
TOTAL LIABILITIES 29,146 18,256 \$ 8	870,545
NET POSITION:	
Pension/Benefit Plan Participants 64,392 -	
Individuals, Organizations, and Other Entities - 6,050,380	
Unrestricted 763 -	
TOTAL NET POSITION \$ 65,155 \$ 6,050,380	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST
ADDITIONS: Additions By Participants Member Contributions Employer Contributions Investment Income/(Loss) Employee Participation Fees Unclaimed Property Receipts Other Additions Transfers-In	\$ - 82,364 251,302 895 707 - 4,636 1,222	\$ 1,007,293 - - 711,641 - 35,759 3,075
DEDUCTIONS: Distributions to Participants Health Insurance Premiums Paid Health Insurance Claims Paid Other Benefits Plan Expense Payments in Accordance with Trust Agreements Other Deductions Transfers-Out TOTAL DEDUCTIONS	341,126 - 149,784 147,919 19,292 - 16,036 60 333,091	1,757,768 257,504 - - - 562,601 - 153 820,258
CHANGE IN NET POSITION	8,035	937,510
NET POSITION - FISCAL YEAR BEGINNING NET POSITION - FISCAL YEAR ENDING	\$ 65,155	5,112,870 \$ 6,050,380

STATEMENT OF NET POSITION COMPONENT UNITS JUNE 30, 2014

(DOLLARS IN THOUSANDS)	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION		
ASSETS:				
Current Assets:	¢ 4/5 000	¢ 15.000		
Cash and Pooled Cash Investments	\$ 165,838 -	\$ 15,032 -		
Contributions Receivable, net	-	24,122		
Other Receivables, net	75,606	49		
Due From Other Governments	1,720	-		
Prepaids and Advances		466		
Total Current Assets	243,164	39,669		
Noncurrent Assets:				
Restricted Cash and Pooled Cash	132,061	-		
Restricted Investments	190,462	-		
Restricted Receivables	2,726	1 050 017		
Investments Contributions Receivable, net	-	1,250,817 34,695		
Other Long-Term Assets	955,621	-		
Depreciable Capital Assets and Infrastructure, no		2,685		
Land and Nondepreciable Capital Assets	-	-		
Total Noncurrent Assets	1,280,903	1,288,197		
TOTAL ASSETS	1,524,067	1,327,866		
-	<u> </u>	<u> </u>		
DEFERRED OUTFLOW OF RESOURCES:	4,505			
	4,303	<u>-</u> _		
LIABILITIES:				
Current Liabilities: Accounts Payable and Accrued Liabilities	13,364	8,744		
Due To Other Governments	2,330	-		
Unearned Revenue	-	-		
Claims and Judgments Payable	-	-		
Leases Payable	-	951		
Notes, Bonds, and COPs Payable Other Current Liabilities	50,165 100,604	- 10,807		
Total Current Liabilities Total Current Liabilities	166,463			
Total Current Liabilities	100,403	20,502		
Noncurrent Liabilities:		070.010		
Deposits Held In Custody For Others Capital Lease Payable	-	273,213 257		
Notes, Bonds, and COPs Payable	718,245	-		
Other Long-Term Liabilities	31,904	16,868		
Total Noncurrent Liabilities	750,149	290,338		
TOTAL LIABILITIES	916,612	310,840		
_				
DEFERRED INFLOW OF RESOURCES:	718	-		
NET POSITION:				
Net investment in Capital Assets:	33	1,477		
Restricted for:				
Emergencies Expendable	- -	551,738		
Nonexpendable	-	397,990		
Other Purposes	556,934	=		
Unrestricted	54,275	65,821		
TOTAL NET POSITION	\$ 611,242	\$ 1,017,026		

	OTHER	IVERSITY NORTHERN	DLORADO CHOOL OF	SC	ORADO STATE	S
TOTAL	COMPONENT UNITS	DLORADO JNDATION	MINES JNDATION		VERSITY NDATION	
\$ 213,610	\$ 19,778	1,437	10,773	\$	752	\$
67,411 44,877	67,411 4,150	2,396	6,572		7,637	
78,279	675	194	1,755		-	
3,105	1,385	-	-		-	
588 407,870	93,399	4,027	19,100		122 8,511	
407,870	93,399	4,027	19,100		0,511	
154,445	22,288	_	96		_	
190,462	,	-	=		-	
2,726	-	-	-		-	
1,967,088 69,407	42,126	98,860 3,452	249,871 9,403		325,414 21,857	
958,578	1,862	190	331		574	
126,307	122,523	1,044	16		6	
61,968	61,968	100.54/			- 247.054	
3,530,981	250,767	103,546	259,717		347,851	
3,938,851	344,166	107,573	278,817		356,362	
4.505						
4,505	<u> </u>	-			-	
29,853 2,330	1,796	1,231	2,432		2,286	
7,656	7,656	-	-		-	
22,251	22,251	-	-		-	
951	-	-	-		-	
50,165 111,650	239	-	-		-	
224,856	31,942	1,231	2,432		2,286	
307,705 257	-	668	19,835		13,989	
772,852	54,607	-	-		-	
60,799	12	151	11,046		818	
1,141,613	54,619	819	30,881		14,807	
1,366,469	86,561	2,050	33,313		17,093	
718		-				
187,067	184,491	1,044	16		6	
63	63	-	-		-	
810,894	-	21,010	77,560		160,586	
757,607 574,524	- 17,590	70,733 -	143,579 -		145,305	
		12,736	04040		33,372	
246,014	55,461	12,730	24,349		33,372	

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2014

OPERATING REVENUES: Fees	\$	37,315		
rees	\$	3/315	Φ.	F 100
Sales of Goods and Services		-	\$	5,100
Investment Income (Loss)		8,652		_
Rental Income		-		_
Gifts and Donations		-		130,477
Federal Grants and Contracts		6,765		-
Other		3,212		957
TOTAL OPERATING REVENUES		55,944		136,534
OPERATING EXPENSES:				
Salaries and Fringe Benefits		1,258		-
Operating and Travel		24,466		24,754
Depreciation and Amortization Debt Service		14 35,883		-
Foundation Program Distributions		-		116,342
TOTAL OPERATING EXPENSES		61,621		141,096
OPERATING INCOME (LOSS)		(5,677)		(4,562)
NONOPERATING REVENUES AND (EXPENSES):				
Investment Income (Loss)		-		99,822
Gifts and Donations		-		-
Federal Grants and Contracts		-		-
Gain/(Loss) on Sale or Impairment of Capital Assets		-		-
Debt Service		-		-
Other Expenses Other Revenues		-		-
TOTAL NONOPERATING REVENUES (EXPENSES)		-		99,822
· · · · · · · · · · · · · · · · · · ·		(5 (77)		05.270
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS		(5,677)		95,260
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS: Capital Contributions		11,724		-
TOTAL CONTRIBUTIONS AND TRANSFERS		11,724		-
CHANGE IN NET POSITION		6,047		95,260
NET POSITION - FISCAL YEAR BEGINNING		605,195		921,766
NET POSITION - FISCAL YEAR ENDING	\$	611,242	\$	1,017,026

UN	COLORADO STATE UNIVERSITY FOUNDATION		COLORADO SCHOOL OF MINES FOUNDATION		UNIVERSITY OF NORTHERN COLORADO FOUNDATION		OTHER COMPONENT UNITS		TOTAL	
\$	_	\$	1,800	\$	_	\$	73,015	\$	117,230	
•	_	•	-	,	-	Ť	5,534	,	5,534	
	-		-		-		(4,577)		4,075	
	-		-		-		1,335		1,335	
	45,226		23,827		12,273		-		211,803	
	63		326		688		2,455		9,220 5,246	
	45,289		25,953		12,961		77,762		354,443	
•	43,207		25,755		12,701		77,702		334,443	
			-				-		1,258	
	2,951		4,378		2,452		136,840		195,841	
	-		-		-		4,893		4,907 35,883	
	- 45,577		- 17,060		6,965		-		185,944	
	48,528		21,438		9,417		141,733		423,833	
-	10,020		21,100		7,117		111,700		120,000	
	(3,239)		4,515		3,544		(63,971)		(69,390)	
	32,762		25,936		8,699		924		168,143	
	-		-		-		6,119		6,119	
	-		-		-		1,065		1,065	
	-		-		-		22,335		22,335	
	-		-		-		(3,229)		(3,229)	
	-		-		-		(15,061) 12,925		(15,061) 12,925	
-	32,762		25,936		8,699		25,078		192,297	
-	32,702		25,930		0,099		25,076		192,291	
•	29,523		30,451		12,243		(38,893)		122,907	
•										
									11,724	
-	<u>-</u>				-		<u>-</u>			
-			-		-				11,724	
	29,523		30,451		12,243		(38,893)		134,631	
			0.45 05-		00.00-					
	309,746		215,053		93,280	_	296,498		2,441,538	
\$	339,269	\$	245,504	\$	105,523	\$	257,605	\$	2,576,169	

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - COMPONENT UNITS RECAST TO THE STATEMENT OF ACTIVITIES FORMAT FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)

ANGES IN NET POSITION		& ADJUSTMENTS	OF ACTIVITIES	
ERATING REVENUES:	447.000			
Fees	\$ 117,230			
Sales of Goods and Services nvestment Income (Loss)	5,534 4,075	(4,075)		
Rental Income	1,335	(4,075)		
Gifts and Donations	211,803	(211,803)		
Federal Grants and Contracts	9,220	(9,220)		
Other	5,246	(2,031)		
TAL OPERATING REVENUES	354,443	(227,129)	127,314	CHARGES FOR SERVICES
ERATING EXPENSES:				
Salaries and Fringe Benefits	1,258			
Operating and Travel	1,256			
Depreciation and Amortization	4,907			
Debt Service	35,883	3,227		
Foundation Program Distributions	185,944	5,221		
Other Expenses	-	15,061		
TAL OPERATING EXPENSES	423,833	18,288	442,121	EXPENSES
ERATING INCOME (LOSS)	(69,390)			
NOPERATING REVENUES AND (EXPENSES):				
nvestment Income (Loss)	168,143	(168,143)		
Gifts and Donations	6,119	(6,119)		
Federal Grants and Contracts	1,065	(1,065)		
Gain/(Loss) on Sale or Impairment of Capital Assets	22,335	(22,335)		
Debt Service	(3,229)	3,229		
Other Expenses	(15,061)	15,061		
Other Revenues	12,925	(12,925)		
TAL NONOPERATING REVENUES (EXPENSES)	192,297	(192,297)		
		355,449	355,449	OPERATING GRANTS & CONTRIBUTIONS
		24,136	24,136	CAPITAL GRANTS & CONTRIBUTIONS
		53,514	53,514	UNRESTRICTED INVESTMENT EARNINGS
		16,321	16,321	PAYMENTS FROM THE STATE
		18	18	OTHER GENERAL REVENUES
COME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	122,907			
NTRIBUTIONS, TRANSFERS, AND OTHER ITEMS: Capital Contributions	11,724	(11,724)		
·				
TAL CONTRIBUTIONS AND TRANSFERS	11,724	(11,724)		
ANGE IN NET POSITION	134,631		134,631	CHANGE IN NET POSITION
T POSITION - FISCAL YEAR BEGINNING	2,441,538		2,441,538	NET POSITION - FISCAL YEAR BEGINNING
	\$ 2,576,169		\$ 2,576,169	NET POSITION - FISCAL YEAR ENDING

NOTES TO THE FINANCIAL STATEMENTS

NOTES 1 Through 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The preparation of financial statements in 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.

A. NEW ACCOUNTING STANDARDS

During Fiscal Year 2013-14, the State implemented GASB Statement No. 65 – <u>Items Previously Reported as Assets and Liabilities</u>, GASB Statement No. 66 – <u>Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62</u>, and Statement No. 70 – <u>Accounting and Financial Reporting for Nonexchange Financial Guarantees</u>.

B. FUTURE ACCOUNTING STANDARDS

Effective for Fiscal Year 2014-15, the GASB issued Statement No. 68 - Accounting and Financial Reporting for Pensions, which revises and establishes new financial reporting requirements for most governments, such as the State of Colorado, that provide their employees with pension benefits. The statement will require cost-sharing employers participating in defined benefit plans to record their proportionate share of the unfunded pension liability. At this time, management is unable to estimate the magnitude of the State's share of the unfunded pension liability.

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 state-funded institutions of higher education that make up the State's legal entity. The State's reporting entity also includes those component units that are legally separate entities, for which the State's elected officials are financially accountable.

Financial accountability is defined in GASB Statement No. 14 – <u>The Financial Reporting Entity</u>, 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:

Colorado Water Resources and Power
Development Authority
University of Colorado Foundation
Colorado State University Foundation
Colorado School of Mines Foundation
University of Northern Colorado Foundation
Other Component Units (Nonmajor):
Denver Metropolitan Major League Baseball
Stadium District
CoverColorado
Colorado Venture Capital Authority
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		Financial Benefit/Burden		
(Non Foundation)	Board Appointment	Ability to Impose Will	Relationship	
Colorado Water Resources and Power Development Authority	Appointment by the Governor, with consent of 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 in order for the Authority to meet its debt service requirements.	
Denver Metropolitan Major League Stadium District	Appointment by the Governor, with consent of the Senate.	Board members serve at the pleasure of the Governor.	None.	
CoverColorado	Appointment by the Governor, with consent of the Senate.	None.	The State provides annual funding to CoverColorado through the Unclaimed Property program.	
Venture Capital Authority	Appointment by the Governor or legislature.	Bond issuance is contingent on legislative approval.	The Authority was capitalized based on general-purpose revenue tax credits.	
HLC @ Metro, Inc.	Appointment by the State through the Metropolitan State University of Denver Board of Trustees.	The Board of Trustees of the Metropolitan State University of Denver controls and supervises the board of HLC @ Metro, Inc.	Metro State University of Denver has guaranteed the debt of HLC @ Metro, Inc.	

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

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

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

University of Northern Colorado Foundation Judy Farr Alumni Center Campus Box 20 Greeley, CO 80639

Denver Metropolitan Major League Baseball Stadium District 2195 Blake Street, Suite 300 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

Pinnacol Assurance

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:

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 onsite 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, deferred outflows and liabilities and deferred inflows 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 include proprietary funds 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, net of related liabilities and deferred inflows, 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 leases, 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.

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 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 schedules detailing the components of the General Fund are included as supplementary information. The schedules 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 schedule 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, the payment of unemployment benefits to eligible claimants, and revenue bonds issued through a related party, Colorado Housing and Finance Authority.

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 assets 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 as supplementary information include CollegeInvest, Parks and 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, Complex, Capitol Highways, Public Administrative Courts, Legal Services, 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, which provides Health, Life, Dental, and Short-Term Disability Benefits to State employees.

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 (liquidated annually), 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 fundlevel 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 expenses are reported on each of the statements of changes in net position, or the Statement of Revenues, Expenditures and Changes in Fund Balances

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 Colorado Water Resources and Power Development Authority is engaged only in business-type activities, and uses proprietary fund accounting for its operations. The authority's financial information is presented as of December 31, 2013.

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 and as other accounting literature Financial Accounting Standards Board pronouncements that do not conflict with or contradict GASB pronouncements. The financial information for these entities is presented as of December 31, 2013.

The four foundations presented as component units and HLC @ Metro, Inc. follow Financial Accounting Standards Board statements applicable to not-for-profit entities. The foundations' audited not-for-profit financial statements have been recast into the governmental format as allowed by GASB Statement No. 39. Financial information for the four foundation component units and HLC @ Metro, Inc. is presented as of June 30, 2013.

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 outflows, liabilities, and deferred inflows 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 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.

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, the Colorado School of Mines Foundation, and the University of Northern Colorado Foundation all record unconditional promises to give as revenue and receivable in the period that the pledge is made. The University of Colorado Foundation, the Colorado State University Foundation, the Colorado School of Mines Foundation and the University of Northern Colorado 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 fair value. 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 position.

University of Colorado Foundation 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

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.

(Amounts in Dollars)

Asset Class	Capi	Lower italization resholds	 Established State Thresholds				
Land Improvements	\$	5,000	\$ 50,000				
Buildings	\$	5,000	\$ 50,000				
Leasehold Improvements	\$	5,000	\$ 50,000				
Intangible Assets		NA	\$ 50,000				
Vehicles and Equipment		NA	\$ 5,000				
Software (purchased)		NA	\$ 5,000				
Software (internally developed))	NA	\$ 50,000				
Collections		NA	\$ 5,000				
Infrastructure		NA	\$ 500,000				

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.

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 and Department of Transportation buildings and 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	70
Leasehold Improvements	3	50
Vehicles and Equipment	3	50
Software	2	23
Library Books	3	20
Other Capital Assets	3	25
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.

F. UNEARNED REVENUE AND DEFERRED INFLOWS

Under reimbursement agreements, receipts from the federal government and other program sponsors are not earned until the related expenditures occur. These receipts are recorded as unearned revenue, except for amounts recorded as deferred inflows when the only eligibility requirement not met is the time requirement.

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 not earned and are reported as deferred inflows. 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

The Colorado Water Resources and Power Development Authority recognizes unused vacation and sick leave 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 reimburses 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 a combination of self-insurance and commercial insurance carriers and is self-insured against 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.

NET POSITION AND FUND BALANCES

In the financial statements, assets and deferred outflows in excess of liabilities and deferred inflows 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 net position 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 fund is restricted for exclusive use pursuant to Article IX, Section 3 of the State Constitution.

The net position of Higher Education Institutions, a major proprietary fund, is restricted for educational purposes that primarily include student loans and scholarships restricted by the federal government and other sponsoring entities and revenue balances pledged for auxiliary facility debt as a result of bond covenants. Balances related to various instructional, research and academic support programs and capital projects may also restricted based on requirements of donors and sponsors. Finally, Article XVIII, Section 9 of the State Constitution, also known as Amendment 50, requires that specified gaming receipts only be used for instructional purposes and scholarship programs.

<u>Restricted for Unemployment Insurance</u> – 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 in governmental activities is found in the Department of Personnel & Administration and in 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, and scholarship trusts.
- 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 consists 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 fund balance 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. The unspent proceeds are primarily related to public school construction under the Building Excellent Schools Today (BEST) program, in the Special Purpose General 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(1) (d) to reserve five 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 reserve when revenues were projected to be inadequate to fund appropriations and the reserve. The reserve is applicable for both GAAP and budget basis purposes. The GAAP based fund balance was not sufficient to report the entire reserve as Committed fund balance. As a result only the remaining GAAP fund balance of \$249.2 million was committed for this purpose.

Committed balances also includes earned augmenting revenue, such as insurance proceeds, that state agencies are not required to revert into the 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.

<u>Assigned</u> – This classification represents the portion of the General Purpose Revenue Fund fund balance related to certain Fiscal Year 2013-14 appropriations that the Colorado State Controller approved in accordance with Fiscal Rule 7-3 for use in the subsequent fiscal year.

<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. For Fiscal Year 2013-14, there was no unassigned fund balance because of the shortfall in the statutory reserve discussed in the Committed section of this note.

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 that was approved by the federal government during Fiscal Year 2013-14. 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 2010-11 that were incorporated in State agency budgets in Fiscal Year 13-14. 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*.

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 expenditures. If generalexpenditures exceed the general-funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Absent general-funded appropriations, agencies are not allowed to use general-purpose revenue to support an expenditure/expense that was appropriated from cash or federal funds. Budget-to-actual comparisons are presented in the Required Supplementary Information Section beginning on 114. 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 overexpenditure authority general-funded 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 generally 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, 2014, were \$37,747,270 as described in the following paragraphs.

Approved Medicaid Overexpenditures:

- Medical Services Premiums The Department of Health Care Policy and Financing overexpended this line item by \$28,752,698 of general funds and \$904,633 of cash funds. This appropriation pays for the majority of Medicaid services rendered for clients. With changes in eligibility standards, the caseload related to low income and higher income parents was higher than estimated. Growth in the base population that is funded at a 50 percent federal participation rate increased by 40,000 while the expansion population that is solely federally funded grew by 15,000 which is significantly below the level Additionally, unanticipated anticipated. increases contributed to the cash overexpenditures of \$149,124 in the Health Care Expansion Fund and \$316,582 in the Breast and Cervical Prevention and Treatment Fund. A Large settlement payment for an appeal resulted in a cash overexpenditure of \$438,927 in the Nursing Facility Provider Feed Cash Fund.
- Medicaid Mental Health Fee for Service Payments The Department of Health Care Policy and Financing overexpended this line item by \$1,594,036 of general funds and \$1,381,729 of cash funds. This appropriation includes Medicaid covered mental health services that are paid on a fee-for-service basis to providers. The Department believes that the increase in expenditures was due to an unanticipated increase in utilization of services, estimated at about 4.5 percent.
- MMA 2003 State Contribution The Department of Health Care Policy and Financing overexpended this line item by \$1,285,691 of general funds. The appropriation makes the Medicare Modernization Act Clawback payment and was based on a projected caseload, including retroactive caseload. The appropriation based on actual caseload varied from actual expenditures by approximately 1.22 percent.

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

CBMS Operating Expenses and Modernization
Contract – The Department of Human Services
overexpended the operating line item by \$599,828
and the modernization contract line item by \$154,960
of general funds. This resulted from the inability of
the Department to utilize Temporary Aid to Need
Families (TANF) federal funds. A high volume of
billings were received in July which is past the point
in time that the funding split could have been trued
up with an emergency supplemental appropriation as
TANF funds must be appropriated.

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

• State Personnel Board Operating Expenses – The Department of Personnel and Administration overexpended this line item by \$62 of general funds. The Division's expenses exceeded its spending authority in this line item due to an oversight.

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

- Legal Services Cash Fund The General Assembly authorized the Legal Service Cash Fund for use by the Department of Law beginning in Fiscal Year 2012-13 for payments received from client state agencies for legal services billings. This activity had previously been accounted for in the General Purpose Revenue Fund. With the creation of the cash fund as an internal service fund, governmental accounting standards require that liabilities for compensated absences be recorded as an expense directly in the fund. The department had not anticipated this additional liability when initially determining rates. Rates have subsequently been increased and the deficit has been reduced from \$1,620,644 in the prior year to \$701,828.
- <u>High Performance Transportation Enterprise</u> The Department of Transportation had a deficit fund balance related to this line item of \$2,283,235. Pursuant to C.R.S. 43-4-806 (4), the Transportation Commission loaned monies to the High Performance Transportation Enterprise. Although there was a positive cash balance in the fund as of fiscal year end, the remaining unpaid loan liability was greater.
- Registration Number Fund The Governor's Office had a deficit fund balance related to this fund of \$88,570. Pursuant to C.R.S. 42-1-407, the Department of Personnel and Administration loaned the fund \$300,000 to cover start-up costs until proceeds from the auction of special license plates could be generated. Although there was a positive cash balance in the fund as of fiscal year end, the remaining unpaid loan liability was greater.

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 2014-15 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, 2014:

 Department of Health Care Policy and Financing Healthcare Expansion Fund - \$1,402,598
 Adult Dental Fund - \$381,574
 Medicaid Buy-In Cash Fund - \$20,715

The General Fund Surplus Schedule (page 121) shows a negative reversion of \$20.7 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 \$20.7 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 2013-14 ESRC of \$11.85 billion. TABOR revenue was below the ESRC by \$169.3 million, and over the TABOR limit by \$2,116.5 million. As a result of the ESRC replacing the TABOR limit as the trigger point for refunds, refunds of \$2,116.5 million that would have occurred related to Fiscal Year 2013-14 under the TABOR limit are not required. Since the inception of Referendum C in Fiscal Year 2005-06 the State has retained \$9.8 billion, \$3.6 billion during the initial five year revenue retention period, and an additional \$6.2 billion as a result of the higher ESRC limit in Fiscal Years 2010-11 through 2013-14.

The \$0.7 million TABOR refund liability shown on the government-wide *Statement of Net Position* and the fund-level *Balance Sheet* is the un-refunded 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 2013-14 that amount was \$350,493,899.

At June 30, 2014, the financial net positions, or fund balance 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 – \$83,000,000.
- Wildlife Cash Fund, a portion of the nonmajor Parks and Wildlife Enterprise Fund \$34,000,000.
- Perpetual base account of the Severance Tax Fund, a portion of the major Resource Extraction Fund, -\$33,000,000. The \$33,000,000 designation by the Legislature has been reduced by \$2,500,000 since 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).
- Colorado Water Conservation Board Construction Fund, a portion of the major Resource Extraction Fund - \$33,000,000.

Controlled Maintenance Trust Fund, a portion of the major General Fund - \$48,000,000. In addition to this amount, \$9,500,000 of the Fiscal Year 2012-13 designation was carried forward into Fiscal Year 2013-14. The adjusted \$57,500,000 designation by the Legislature has been reduced by \$50,850,000 since 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).

- Unclaimed Property Tourism Promotion Trust Fund, a portion of the nonmajor Private Purpose Trust Fund - \$5,000,000.
- The 2013 legislative session Long Appropriations Act designated up to \$93,600,000 of State properties as the remainder of the emergency reserve.

The estimate of the needed reserve was based on the December 2013 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 \$20,893,899 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 2013-14, under the direction of the Governor's Executive Orders, the State transferred \$50.85 million from the Controlled Maintenance Trust Fund and \$2.5 million from the perpetual base account of the Severance Tax Fund of the TABOR emergency reserve to the Disaster Emergency Fund to pay the costs related to the following emergencies:

- West Fork Fire \$12.0 million
- Front Range Flooding \$38.95 million
- El Paso County Flooding \$0.4 million
- Red Canyon Fire \$2.0 million

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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 \$7,555.6 million (\$7,561.1 million at amortized cost) of claims of the State's funds on moneys in the Treasurer's pooled cash.

At June 30, 2014, the treasurer had invested \$7,455.0 million (fair value) of the pool and held \$7.0 million of certificates of deposit.

The State had an accounting system cash deposit balance of \$1,221.6 million in the Treasurer's pool. Under the GASB Statement No. 40 definitions, \$115.7 million of the State's total bank balance of \$1,244.6 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 Colorado Water Resources and Power Development Authority had cash deposits of \$172,393 with a bank balance of \$206,878 at December 31, 2013. Of the booked amount, \$250,000 was federally insured and \$43,122 was collateralized with securities held by the pledging institution in a collateral pool not in the authority's name. The authority also reported as cash and cash equivalents \$29.7 million held by the State Treasurer, \$182.2 million held in COLOTRUST and \$85.8 million held in third party, short-term, prime investment funds. COLOTRUST (Colorado Local Government Liquid Asset Trust) is a local government investment vehicle that qualifies as 2a7-like investment pool, where the value of each share is maintained at \$1.00. Shares of COLOTRUST are not evidenced by securities, and therefore, are not subject to custodial risk classification. Both COLOTRUST and the third party investment funds have a credit quality rating of AAA, while cash held by the State Treasurer is not rated for credit quality.

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 received in the form of new investments rather than in cash.
- 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 \$1,363.0 million shown on the government-wide *Statement of Net Position* primarily comprises the following:

- \$1,380.1 million, mainly of self-assessed income and sales tax recorded in the General Purpose Revenue Fund. This amount is after the removal of \$213.6 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 inflows on the *Balance Sheet Governmental Funds*.
- \$135.2 million of unemployment insurance premiums receivable recorded in the Unemployment Insurance Fund.
- \$22.6 million recorded in the Resource Extraction Fund as severance taxes receivable.
- \$38.9 million recorded in nonmajor special revenue funds, of which, approximately \$11.1 million is from gaming tax, \$14.6 million is insurance premium tax, and \$9.9 million is tobacco tax.

In addition, \$58.2 million of Taxes Receivable, \$50.8 million of Other Receivables, and \$140.9 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 \$610.3 million shown on the government-wide *Statement of Net Position* are net of \$285.5 million in allowance for doubtful accounts and primarily comprise the following:

- \$348.1 million of student and other receivables of Higher Education Institutions.
- \$95.5 million of receivables recorded in the General Fund, of which \$16.2 million is from interest receivable on investments. The Department of Health Care Policy and Financing also recorded receivables of \$65.5 million related primarily to rebates from drug companies and overpayments to healthcare providers, and the Colorado Mental Health Institutes recorded \$4.1 million of patient receivables.
- \$22.9 million recorded by the Resource Extraction Fund.

\$86.5 million of receivables recorded by Other Governmental Funds including \$45.3 million of tobacco settlement revenues expected within the following year, \$9.8 million of rent and royalty receivables recorded by the State Lands Funds and \$4.3 million receivable from the Great Outdoors Colorado program by the Division of Parks and Wildlife Fund.

Component Units

The Colorado Water Resources and Power Development Authority had loans receivable of \$1.0 billion at December 31, 2013. During 2013, the authority made new loans of \$33.4 million and canceled or received repayments for existing loans of \$78.4 million.

The University of Colorado Foundation contributions receivable of \$24.1 million and \$34.7 million are reported as Contributions Receivable current and noncurrent, respectively, in the *Statement of Net Position – Component Units*. At June 30, 2013, the amount reported as contributions receivable includes \$68.6 million of unconditional promises to give which were offset by a \$8.0 million allowance for uncollectible contributions and a \$1.8 million unamortized pledge discount using discount rates ranging from 0.03 percent to 5.81 percent.

At June 30, 2013, the Contributions Receivable amount shown for the Colorado State University Foundation included contributions of \$33.7 million, which were offset by \$3.6 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, 2013, contributions from three donors represented approximately 78 percent of net contributions receivable for the foundation.

At June 30, 2013, the combined current and noncurrent Contributions Receivable amount shown for the Colorado School of Mines Foundation of \$16.0 million was offset by \$0.7 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 49 percent of the foundation's contributions receivable at June 30, 2013, consists of pledges from two donors in 2013, and approximately \$3.8 million is due from trusts held by others.

At June 30, 2013, the combined current and noncurrent Contributions Receivable amount shown for the University of Northern Colorado Foundation of \$5.8 million was offset by \$0.2 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 82 percent of the foundation's contributions receivable at June 30, 2013 consists of a pledge from one donor, and 59 percent of contributions for the year ended June 30, 2013 were from two donors.

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 \$4.15 million of accounts receivable from insurance companies that are reported as Contributions Receivable 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 \$107.1 million shown on the government-wide *Statement of Net Position* at June 30, 2014, primarily comprise:

- \$13.8 million of manufacturing inventories recorded by Correctional Industries, a nonmajor enterprise fund,
- \$66.4 million of resale inventories, of which, Resource Extraction recorded \$35.9 million, and Higher Education Institutions recorded \$27.8 million, and
- \$19.6 million of consumable supplies inventories, of which, \$8.7 million was recorded by the Higher Education Institutions, \$7.3 million was recorded by

the Highway Users Tax Fund, \$2.1 million by the General Purpose Revenue Fund, and \$1.0 million by Parks and Wildlife, a nonmajor enterprise fund.

NOTE 13 – PREPAIDS AND ADVANCES

Prepaids and Advances of \$107.9 million shown on the government-wide *Statement of Net Position* are primarily general prepaid expenses. The significant items include:

- \$17.3 million advanced to Colorado counties and special districts by the General Purpose Revenue Fund primarily related to social assistance programs.
- \$16.4 million advanced to conservation organizations by the Department of Natural Resources from the Species Conservation Fund, a portion of the Resource Extraction Fund.
- \$9.4 million in Higher Educational Institutions, of which \$5.2 million was at Colorado State University that primarily related to library subscriptions.
- \$5.1 million of prize expense paid by the Colorado Lottery to a multistate organization related to participation in the Powerball lottery game.
- \$4.1 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, certain loans and collateralized mortgage obligations and certain debt obligations backed by the full faith and credit of the state of Israel. 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 2013-14, the State Treasurer realized gains from the sale of investments held for the Public School Permanent Fund of \$169,768, for the Unclaimed Property Tourism Trust Fund of \$15,175, for the Major Medical Fund of \$72,151, for the Colorado Prepaid Tuition Fund of \$1,368,687, and for the Treasurer's pooled cash of \$549,549.

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2014 and 2013, the treasurer had \$41.3 million and \$29.0 million at fair value, respectively, of GOCO's funds on deposit and invested.

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

As provided by State statute, the State Treasurer held \$7.3 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 \$7.1 million as of June 30, 2014. See Note 39 for additional details.

The Colorado State University, reported in the Higher Education Institutions Fund, held \$1,373,353 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 \$1,330,063 of net realized losses from the sale of investments held by State agencies other than the State Treasurer during Fiscal Year 2013-14.

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

Footnote Amounts	Carrying Amount				
Deposits (Note 9)	\$	1,221,566			
Investments:					
Governmental Activities		8,560,230			
Business-Type Activities		2,453,941			
Fiduciary Activities		5,879,808			
Total	\$	18,115,545			
Financial Statement Amounts Net Cash and Pooled Cash	\$	5,476,500			
Add: Warrants Payable Included in Cash		210,370			
Total Cash and Pooled Cash		5,686,870			
Add: Restricted Cash		2,989,733			
Add: Restricted Investments		961,450			
Add: Investments		8,477,492			
Total	\$	18,115,545			

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 \$257.1 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 BEST issuances (\$44.2 million reported in the Debt Service Fund, an Other Governmental Fund) and the Ralph L. Carr Justice Center (\$0.8 million reported in a Special Capital Projects Fund), and \$3.4 million related to investments in the Public School Fund. None of the securities listed in the table below are subject to custodial credit risk:

	Governmental Activities										
	7	Freasurer's Pool		eral nd	Gov	Other vernmental		Total			
INVESTMENT TYPE											
U.S. Government Securities	\$	4,164,291	\$	-	\$	261,180	\$	4,425,471			
Commercial Paper		74,998		-		-		74,998			
Corporate Bonds		1,734,116		-		251,954		1,986,070			
Asset Backed Securities		1,462,699		-		142,783		1,605,482			
Mortgages Securities		18,933	7	,322		132,467		158,722			
Mutual Funds		-		-		3,971		3,971			
Other		-	257	,091		48,425		305,516			
TOTAL INVESTMENTS	\$	7,455,037	\$264	,413	\$	840,780	\$	8,560,230			

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 (\$43.7 million), Absolute Return Funds (\$40.5 million), Real Estate (\$28.5 million), Venture Capital (\$18.0 million), and the issuance trustee's deposit of proceeds from Certificates of Participation (COPs) issued for Higher Education capital construction (\$2.2 million), and Municipal Bonds (\$9.2 million). The trustee has selected the State Treasurer's pool as its primary investment vehicle. The Treasurer accounts for the trustee's deposit in an agency fund, and the investment types and related risks are disclosed through the Treasurer's pool investments.

The *Other* category of the Other Enterprise funds primarily comprise the Bridge Enterprise trustee's holdings that include unexpended proceeds from the prior years of \$49.6 million of bond issuances.

The *Other* category of the Fiduciary funds represents a funding agreement with MetLife (\$78.3 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.

		Ви	ısiness	-Type Activit	ties			Fiduciary	
·	Higher Education Institutions			Other terprises	Total			Fiduciary	
INVESTMENT TYPE						•			
U.S. Government Securities	\$	322,212	\$	-	\$	322,212	\$	11,277	
Commercial Paper		2,802		-		2,802		-	
Corporate Bonds		195,370		-		195,370		-	
Corporate Securities		18,944		-		18,944		-	
Repurchase Agreements		234,912		-		234,912		1,080	
Asset Backed Securities		101,967		-		101,967		-	
Mortgages Securities		85,204		-		85,204		-	
Mutual Funds		1,234,747		16,117		1,250,864		5,789,152	
Other		189,868		51,798		241,666		78,299	
TOTAL INVESTMENTS	\$	2,386,026	\$	67,915	\$	2,453,941	\$	5,879,808	
INVESTMENTS SUBJECT TO CUSTODIAL RISK									
U.S. Government Securities	\$	265	\$	-	\$	265	\$	-	
Corporate Bonds		3,680		-		3,680		-	
Corporate Securities		9,223		-		9,223		-	
Repurchase Agreements		-		-		-		1,080	
TOTAL SUBJECT TO CUSTODIAL RISK	\$	13.230	\$	_	\$	13.230	\$	1.080	

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 \$78.3 million in its College Savings Plan, a Private Purpose Trust Fund that was unrated as to credit quality risk.
- Certain trustees, as discussed under Custodial Credit Risk, 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.

						(An	nounts In Ti	nousa	nds)							
		.S. Govt. Igencies	 mmercial Paper	С	orporate Bonds		purchase reements		Asset Backed ecurities		Money Market Mutual Funds	1	Bond Mutual Funds	В	unicipal onds & Other	Total
Treasurer's Pool:																
Long-term Ratings																
Gilt Edge	\$	-	\$ -	\$	91,106	\$	-	\$ 1	,462,699	\$	-	\$	-	\$	-	\$ 1,553,805
High Grade	1	,004,685	-		643,105		-		18,933		-		-		-	1,666,723
Upper Medium		-	-		959,242		-		-		-		-		-	959,242
Lower Medium		-	-		15,235		-		-		-		-		-	15,235
Short-term Ratings																
Highest	2	,192,967	74,998		-		-		-		-		-		-	2,267,965
Higher Education Inst	tituti	ons:														
Long-term Ratings																
Gilt Edge	\$	-	\$ -	\$	3,392	\$	-	\$	32,655	\$	196,820	\$	387	\$	-	\$ 233,361
High Grade		69,697	-		18,106		-		56,370		5,470		4		8,399	158,300
Upper Medium		-	-		51,038		-		5,590		-		21		788	57,512
Lower Medium		-	-		33,963		-		4,216		-		342		-	38,521
Speculative		-	-		1,329		-		921		-		69		-	2,319
Very Speculative		-	-		-		-		504		-		40		-	544
High Default Risk		-	-		-		-		4,779		-		10		-	4,789
Default		-	-		-		-		1,004		-		-		-	1,004
Short-term Ratings																
Highest		-	2,002		-		-		-		-		169		-	2,171
Unrated		-	-		5,332		234,912		27,449		71,414		167,082		2,004	508,337
Fiduciary Funds:																
Long-term Ratings																
Gilt Edge	\$	-	\$ -	\$	-	\$	1,080	\$	-	\$	-	\$	-	\$	-	\$ 1,080
High Grade		-	-		-		-		-		-		-		-	-
Short-term Ratings																
Unrated		-	-		3,430		-		-	5	,789,152		-		-	5,792,582
All Other Funds:																
Long-term Ratings																
Gilt Edge	\$	-	\$ -	\$	24,041	\$	-	\$	142,783	\$	3,543	\$	-	\$	-	\$ 170,367
High Grade		204,708	-		155,652		-		125,361		990		-		3,364	490,075
Upper Medium		-	-		68,518		-		-		-		-		-	68,518
Lower Medium		-	-		3,742		-		-		-		-		-	3,742
Short-term Ratings																
Highest		-	-		-		-		-		-		-		-	-
Unrated		2,041	-		-		-		14,428		8,025		7,529		-	32,023

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 \$78.3 million that have duration of 7.9 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 12.739-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)

	Treasurer's Pool				High Educat Institut	ion		Fiduciary Funds	y	AII Other Funds			
Investment Type		Fair Value Amount	Weighted Average Maturity		Fair Value Amount	Weighted Average Maturity	Fair Value Amount		Value		Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity
U.S. Government Securities Commercial Paper	\$	4,164,291 74,998	1.424 0.043	\$	11,301 2,002	0.701 0.500	\$	11,676 -	12.739	\$ 261,180 -	5.873		
Corporate Bonds Asset Backed Securities Municipal Bonds		1,734,116 1,481,633 -	2.766 3.033		- - -	- - -		- - -	- - -	251,954 275,251 3,364	6.388 4.913 10.460		
Total Investments	\$	7,455,038		\$	13,303		\$	11,676		\$ 791,749			

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 \$234.9 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 \$234.9 million is not shown in the following duration table; however, the duration associated with the repurchase agreements is 1.7 years.

The University of Colorado has invested \$13.8 million in U.S. Treasury Inflation Protected Securities with duration of 6.7 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.

Certain trustees, as discussed under Custodial Credit Risk, 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 trustees' investment in the pool is not segregated, but is a share in the overall 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)

	Fair Value	
	Amount	Duration
Enterprise Funds:		
Higher Education Institutions:		
University of Colorado:		
U.S. Treasury Bonds and Notes	\$ 173,875,435	4.510
U.S. Treasury Strips	999,800	0.040
U.S. Government Agency Notes	68,696,825	3.240
U.S. Government Agency Strips	0.004.047	7.400
Municipal Bonds	9,204,817	7.690
Corporate Bonds	112,303,354	6.230
Certificates of Deposit	1,987,023	2.640
Asset Backed Securities	133,488,167	4.280
Bond Mutual Funds	167,132,119	2.760
Colorado State University:		
Bond Mutual Funds	\$ 991,409	2.800
Colorado School of Mines:		
Bond Mutual Funds-1	\$ 980,266	5.500
Bond Mutual Funds-2	952,532	1.200
Bond Mutual Funds-3	729,596	0.700
Bond Mutual Funds-4	767,335	7.700
Colorado Mesa University:		
U.S. Government Securities	\$ 1,006,615	2.350
Corporate Bonds	857,163	2.014
Bond Mutual Funds	252,675	3.100
Taxable Municipal Bonds	\$ 580,387	2.644
Private Purpose Trust:		
CollegeInvest:		
Bond Mutual Fund-1	########	6.800
Bond Mutual Fund-2	639,483,130	5.600
Bond Mutual Fund-3	562,374,581	5.600
Bond Mutual Fund-4	353,527,101	0.159
Bond Mutual Fund-5	338,996,335	3.000
Bond Mutual Fund-6	218,325,446	6.700
Bond Mutual Fund-7	210,093,193	5.600
Bond Mutual Fund-8	100,726,915	3.200
Bond Mutual Fund -9	1,398,596	6.900

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 - \$73.6, British Pound - \$48.3, Japanese Yen - \$44.0, Swiss Franc - \$23.1, Brazilian Real - \$10.1, Chinese Yuan - \$13.4, Korean Won - \$11.3, Canadian Dollar -\$8.2, Australian Dollar - \$6.6, Swedish Kroner - \$8.3, \$, Denmark Kroner - \$8.2, Honk-Kong Dollar - \$12.2, Indian Rupee - \$6.6, South African Rand - \$6.7, Taiwan Dollar - \$6.4, and various other currencies totaling \$25.4 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.

The State Treasurer purchases investments separate of the Treasurer's Pool for the Public School Permanent Fund. The Public School Permanent Fund has a concentration of credit risk because of the below listed corporate bond holding exceed 5 percent of the total investment in the fund category; General Electric Capital Corporation -5.9 percent and Citigroup -6.3 percent.

Unrealized Gains and Losses

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

	Fiscal Year 2013-14	Fiscal Year 2012-13
Governmental Activities:		
Major Funds		
General-General Purpose	\$ 1,184	\$ (12,770)
General-Special Purpose	1,174	(2,118)
Resource Extraction	2,468	(5,752)
Highway Users Tax	2,787	(14,367)
Capital Projects-Regular	471	(1,006)
Capital Projects-Special	11	(84)
State Education	4,116	(1,625)
NonMajor Funds:		
State Lands	(655)	(27,612)
Other Permanent Trusts	34	(112)
Labor	(1,432)	(3,598)
Gaming	335	(1,486)
Tobacco Impact Mitigation	259	(191)
Resource Management	64	(56)
Environment Health Protection	279	(1,758)
Other Special Revenue	597	(2,329)
Unclaimed Property	966	(6,773)
Information Technology	131	(172)
Highways (Internal Service)	-	(3)
Administrative Courts	3	(11)
Legal Services	13	
Other Internal Service	-	(2)
Business-Type Activities:		
Major Funds		
Higher Education Institutions	137,494	52,328
Lottery	103	(392)
NonMajor Funds:		
CollegeInvest	217	(1,541)
Wildlife	331	(1,328)
College Assist	259	(736)
State Fair Authority	-	(5)
Correctional Industries	15	(65)
State Nursing Homes	48	(110)
Prison Canteens	11	(21)
Petroleum Storage Tank	20	(90)
Transportation Enterprise	972	(1,097)
Other Enterprise Activities	16	(100)
Fiduciary:		
Pension/Benefits Trust	159	(781)
Private Purpose Trust	525,314	306,724
	\$ 677,764	\$ 270,962

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

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, which are not held in the authority's name, were all subject to custodial credit risk because its trustee is considered both the purchaser and custodian of the investments. The Colorado Water Resources and Power Development Authority's investments at December 31, 2013, were:

(Amounts in Thousands)

	 Total
INVESTMENT TYPE	
U.S. Government Securities	\$ 104,228
Repurchase Agreements	 86,234
TOTAL INVESTMENTS	\$ 190,462

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 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 is not required.

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 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 \$190.5 million of investments subject to interest rate risk with the following maturities; one year or less – 10 percent, two to five years – 26 percent, six to ten years – 29 percent, eleven to fifteen years – 24 percent, and 16 years or more – 11 percent. The authority has entered into agreements that allow it to sell U.S. Treasury bonds at fixed amounts that will provide the authority with funds to make debt service payments in the event that a borrower fails to make loan payments to the authority.

CoverColorado, a nonmajor component unit, manages interest rate risk by matching investment maturities with the cash flow needs of its operations. The authority had \$67.4 million of investments subject to modest interest rate risk that mature within twelve months or less.

Concentration of Credit Risk

CoverColorado, a nonmajor component unit, does not limit the amount invested in a single issuer. At December 31, 2013, all of its investments were placed in a single issuer and were therefore subject to concentration of credit risk.

Component Units – Foundations

The four 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, 2013, the University of Colorado Foundation held \$254.1 million of domestic equity securities, \$259.7 million of international equity securities, \$167.1 million of fixed income securities and \$506.4 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 return of \$97.3 million is net of \$6.7 million of investment fees and comprises \$15.0 million of interest dividends and other income, \$39.1 million of realized gains, and \$49.9 million of unrealized gains.

At June 30, 2013, the Colorado State University Foundation held \$153.2 million of equity securities, \$152.1 million of alternative investments (comprising hedge equities, absolute return, and private equity investments), \$16.3 million of fixed income securities, and \$3.8 million in cash and other investments.

The Colorado School of Mines Foundation's (CSMF) current spending policy allows 4.5 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, 2013, the CSMF held fixed income and fixed income mutual funds totaling \$22.8 million, domestic and international equities totaling \$91.1 million, investments in hedge funds and venture capital totaling \$92.9 million and cash equivalents totaling \$17.3 million in its long-term investments pool.

Of the foundation's \$249.9 million of investments, \$15.5 million, or 6.2 percent, was related to split interest agreements. CSMF is also the beneficiary of an endowment valued at \$8.4 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-one percent of the foundation's investment portfolio is invested in limited partnerships and venture capital organizations, some of which are offshore entities and some of which include derivative investments. Since there is no ready market available for these investments, the estimated value may vary significantly from a valuation at a subsequent date.

At June 30, 2013, the University of Northern Colorado Foundation held \$41.3 million of equity securities, \$22.9 million of fixed income securities, and \$34.7 million of cash and other investments. The foundation's investment income of \$8.7 million is net of \$0.4 million of management fees and comprises \$2.4 million of interest and dividends and \$6.7 million of realized and unrealized losses

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, Colorado State University System, Colorado School of Mines, Fort Lewis State College, and the University of Colorado and its blended component units; however, all participate in the Treasurer's Pool with the exception of the University of Colorado. The Treasurer determines the fair value of the pool's investments at each month-end for performance tracking purposes. Short-term realized gains, 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 \$777.4 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 \$213.8 million and \$58.2 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 \$460.1 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 (\$7.7 million), a major special revenue fund, and the Resource Extraction Fund (\$384.4 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 \$99.5 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 livestock.

NOTE 17 – CAPITAL ASSETS

Primary Government

During Fiscal Year 2013-14 the State capitalized \$33.8 million of interest incurred during the construction of capital assets. The majority of this interest was capitalized by Higher Education Institutions in the amount of \$21.9 million, while the remainder was attributable to the Bridge Enterprise Program in the Department of Transportation.

In Fiscal Year 2011-12, the Department of Corrections decommissioned Fort Lyons Correctional Facility to implement operational efficiencies. Subsequently, the Colorado General Assembly authorized the Department of

Local Affairs to prepare and operate the facility in Fiscal Year 2013-14 as a supportive residential community for the homeless. However, since its decommissioning the facility has remained idle. On June 30, 2014 it had a carrying value of \$16.2 million. An asset impairment estimate has not been calculated since it is not known when the property deed transfer will occur.

The Department of Transportation recognized \$18.8 in impairment (a reduction in carrying value) to roadway assets as a result of flood damage this fiscal year.

The schedule on the following page shows the capital asset activity for Fiscal Year 2013-14.

	Beginning Balance	1	ncreases		CIP Transfers	Decreases/ Adjustments	Ending Balance
GOVERNMENTAL ACTIVITIES:							
Capital Assets Not Being Depreciated:							
Land	86,938	\$	2,667	\$	-	\$ 3	\$ 89,608
Land Improvements	6,248		-		1,028	-	7,276
Collections Other Capital Assets	11,002		- 4 022		-	(7)	10,995
Other Capital Assets Construction in Progress (CIP)	15 1,145,432		6,933 715,450		(875,724)	(11,846)	6,948 973,312
Infrastructure	921,134		21		14,253	(11,040)	935,408
Total Capital Assets Not Being Depreciated	2,170,769		725,071		(860,443)	(11,850)	2,023,547
Capital Assets Being Depreciated:							
Leasehold and Land Improvements	44,895		270		1,455	(64)	46,556
Buildings	2,122,112		21,692		540,924	(31,089)	2,653,639
Software	245,073		4,912		200	(386)	249,799
Vehicles and Equipment	714,869		89,648		7,210	(20,702)	791,025
Library Materials and Collections	6,031		390		-	(388)	6,033
Other Capital Assets Infrastructure	38,210		674 54		210 454	(45)	38,839
_	10,406,020				310,654	(40,570)	10,676,158
Total Capital Assets Being Depreciated	13,577,210		117,640		860,443	(93,244)	14,462,049
Less Accumulated Depreciation: Leasehold and Land Improvements	(24 744)		(1.042)			42	(20 E24)
Buildings	(26,746) (761,215)		(1,842) (58,678)		-	62 8,434	(28,526) (811,459)
Software	(146,983)		(24,053)		_	374	(170,662)
Vehicles and Equipment	(455,168)		(50,180)		_	11,905	(493,443)
Library Materials and Collections	(3,912)		(444)		-	389	(3,967)
Other Capital Assets	(28,306)		(3,012)		-	45	(31,273)
Infrastructure	(2,841,921)		(501,800)		-	21,202	(3,322,519)
Total Accumulated Depreciation	(4,264,251)		(640,009)		-	42,411	(4,861,849)
Total Capital Assets Being Depreciated, net	9,312,959		(522,369)		860,443	(50,833)	9,600,200
TOTAL GOVERNMENTAL ACTIVITIES	11,483,728		202,702		-	(62,683)	11,623,747
BUSINESS-TYPE ACTIVITIES: Capital Assets Not Being Depreciated: Land Land Improvements Collections Construction in Progress (CIP) Other Capital Assets Infrastructure	500,837 16,625 22,455 680,923 - 8,921		9,728 302 1,002 813,690		2,002 (8) - (681,224) - 5,223	(5,408) (37) (7) (18,179) -	507,159 16,882 23,450 795,210 - 14,144
Total Capital Assets Not Being Depreciated	1,229,761		824,722		(674,007)	(23,631)	1,356,845
Capital Assets Being Depreciated:	.,,				(=: :,==:)	(==,==:)	.,,,,,,,,,,
Leasehold and Land Improvements	562,665		3,426		19,645	(773)	584,963
Buildings	6,938,835		13,636		409,009	(4,005)	7,357,475
Software	178,050		13,555		4,570	(1,582)	194,593
Vehicles and Equipment	921,001		80,527		11,645	(35,892)	977,281
Library Materials and Collections	502,533		20,507		-	(5,333)	517,707
Other Capital Assets	19,227		13		355	- (1(4)	19,595
Infrastructure	160,526		-		228,783	(164)	389,145
Total Capital Assets Being Depreciated	9,282,837		131,664		674,007	(47,749)	10,040,759
Less Accumulated Depreciation:	(000 7(4)		(0.4.000)			0.1	(045,005)
Leasehold and Land Improvements	(290,764)		(24,282)		-	21	(315,025)
Buildings	(2,384,419)		(224,124)		-	2,280	(2,606,263)
Software Vehicles and Equipment	(89,842) (652,435)		(29,991) (76,931)		-	736 29,341	(119,097) (700,025)
Library Materials and Collections	(371,785)		(18,468)		-	3,340	(386,913)
Other Capital Assets	(825)		(357)		-	(95)	(1,277)
Infrastructure	(29,702)		(4,881)	_	<u> </u>	147	 (34,436)
Total Accumulated Depreciation	(3,819,772)		(379,034)		-	35,770	(4,163,036)
Total Capital Assets Being Depreciated, net	5,463,065		(247,370)		674,007	(11,979)	5,877,723
TOTAL BUSINESS-TYPE ACTIVITIES	6,692,826		577,352		-	(35,610)	7,234,568
-							
TOTAL CAPITAL ASSETS, NET	\$ 18,176,554	\$	780,054	\$	-	\$ (98,293)	\$ 18,858,315

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

(Amounts in Thousands)

	Depreciation Amount		
GOVERNMENTAL ACTIVITIES:			
General Government	\$	17,390	
Business, Community, and Consumer Affairs		4,928	
Education		15,434	
Health and Rehabilitation		9,939	
Justice		39,725	
Natural Resources		1,023	
Social Assistance		12,583	
Transportation		521,471	
Internal Service Funds (Charged to programs and BTAs based on useage)		17,516	
Total Depreciation Expense Governmental Activities		640,009	
BUSINESS-TYPE ACTIVITIES			
Higher Education Institutions		360,058	
State Lottery		960	
Other Enterprise Funds		18,016	
Total Depreciation Expense Business-Type Activities		379,034	
Total Depreciation Expense Primary Government	\$	1,019,043	

Component Units

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, reported land, land improvements, buildings, and other property and equipment of \$140.8 million, net of accumulated depreciation of \$79.1 million, at December 31, 2013. 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.

HLC@Metro, Inc., a nonmajor component unit reported nondepreciable capital assets of \$42.9 million related to the construction of the Hotel Learning Center.

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 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 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 the calendar year preceding the year in which the benefits are 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 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, 2014.

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 jobincurred.

B. FUNDING POLICY

Members and employers are required to contribute to PERA at a rate set by statute. The contribution requirements of plan members and affiliated employers are established under Title 24, Article 51, Part 4 of the Colorado Revised Statutes as amended. Members are required to contribute 8.0 percent of their gross covered wages, except for State troopers and Colorado Bureau of Investigation officers, who contribute 10.0 percent. From July 1, 2010 through June 30, 2012, member and State Trooper (including Colorado Bureau of Investigation agents) rates were 10.5 and 12.5 percent, respectively. Annual gross covered wages subject to PERA are gross earnings less any reduction in pay to offset employer contributions to the State sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code.

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

	Statutorily Required			Percent of
Time	Contribution (SRC) Percentage			SRC
Period	Judges	Troopers	Other	Paid
Fiscal Year 2013-14				
1-1-14 to 6-30-14	17.36	20.15	17.45	100
7-1-13 to 12-31-13	17.36	19.25	16.55	100
Fiscal Year 2012-13				
1-1-13 to 6-30-13	17.36	19.25	16.55	100
7-1-12 to 12-31-12	17.36	18.35	15.65	100
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

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 also reflects the 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 2013-14 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, 2013, to December 31, 2013, 15.53 percent was allocated to the defined benefit plan, and
- From January 1, 2014, to June 30, 2014 16.43 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, 2013, the State Division of PERA had a funded ratio of 57.5 percent and a 60-year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly higher at 61.0 percent.

The State made the following retirement contributions:

- Fiscal Year 2013-14 398.5 million
- Fiscal Year 2012-13 \$368.5 million
- 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

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
2013	\$495,241	20.01%	79%
2012	\$393,991	16.52%	83%
2011	\$326,274	13.63%	85%

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 June 30, 2012, 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 2013-14 and 2012-13, the Department of Local Affairs transferred \$4.1 and \$4.2 million, respectively, to the association for the premiums of the accidental death and disability insurance policy the association provides to volunteer firefighters.

Component Units

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

NOTE 19 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE

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

assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Primary Government

PERA Health Care Trust Fund

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

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

An additional implicit subsidy exists for participating retirees not eligible for Medicare Part A. This occurs because State statute prohibits PERA from charging different rates to retirees based on their Medicare Part A coverage, notwithstanding that the premium is calculated assuming that the participants have Medicare Part A coverage. At December 31, 2012, the Health Care Trust Fund had an unfunded actuarial accrued liability of \$1.26 billion, a funded ratio of 18.8 percent, and a 30-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 \$25.3 million, \$24.9, million, \$24.1 million, \$24.3 million, and \$24.6 million, in Fiscal Years 2012-13, 2011-12, 2010-11, 2009-10, and 2008-09, 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 2013.

As of December 31, 2013, there were 53,041 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, 2013, actuarial valuation, the entry age level dollar actuarial cost method was used. The actuarial assumptions included a seven and on-half percent investment rate of return and discount rate, and an aggregate three and nine-tenths percent projection of salary increases, both assuming a three and two and eighth-tenths percent inflation rate productivity at one and one-tenth percent. Medical claims are projected to increase annually at various rates up to 5.91 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, prescription drug, dental and life insurance benefits for employees who retire from the University, as well as their spouses, dependents, and survivors. 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 payas-you-go financing requirements. For Fiscal Year 2013-14, the University contributed \$16.6 million to the plan. Plan members contributed 0.28 percent of covered payroll (defined as the annual payroll of active employees covered by the plan) and the University contributed 1.0 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	\$	49,553 7,443
Adjustment to annual required contribution		(10,154)
Annual OPEB cost (expense)		46,842
Contributions made Increase/(Decrease) in net OPEB obligation		(16,648)
increase/(becrease) in her OFEB obligation		30,174
Net OPEB obligation - beginning of year		165,393
Net OPEB obligation - end of year	\$	195,587

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal Year 2013-14 were as follows:

(Amounts In Thousands)

		Percentage of	Net	
Fiscal	Annual	Annual OPEB	OPEB	
Year	OPEB Cost	Cost Contributed	Obligation	
2013-14	\$ 46,842	35.5%	\$ 195,587	

As of July 1, 2012, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was \$406.8 million and the actuarial value of assets was \$0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) \$406.8 million. The UAAL of the plan exceeds the Net OPEB Obligation (NOPEBO) due to the portion of the UAAL not required to be recognized as NOPEBO at the implementation of GASB Statement No. 45. The covered payroll was \$1.1 billion, and the ratio of UAAL to covered payroll was 35.6 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 health care trend rates ranging from 6.5 to 8.0 percent in 2014, down to 5.0 percent in 2022. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

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

Colorado State University administers four single employer defined benefit healthcare plans. The Fiscal Year 2013-14 the University transferred assets into a qualifying trust for all four plans. The Retiree Medical Premium Refund Plan (RMPR) is open to new members and 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) is closed to new members and provides a monthly subsidy for medical premiums of up to \$379 (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) closed to new members and supplements prescription benefits provided through PERA for employees with ten or more years of PERA service. The Long-Term Disability Insurance Plan (LTD) is open to new members and 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 increases annually in alignment with the increase in the cost of individual coverage under the lowest cost medical option. For Fiscal Year 2013-14, the University contributed \$37.0 million to the RMPR at a contribution rate of one percent of covered earnings, \$21.0 million to the RMPS at a 12.47 percent contribution rate, \$0.6 million to the URX at 0.64 percent contribution rate, and \$6.3 million to the LTD at a 0.40 percent contribution rate. Plan members are not required to contribute to any of the four plans. As of June 30, 2014, RMPR had 4,687 active members and 326 retired members or beneficiaries receiving benefits; the RMPSRMPS had 419 active members, 185 terminated but eligible members, and 506 retired members or beneficiaries receiving benefits; the URX had 419 active members, 543 terminated but eligible members, and 338 retired members or beneficiaries receiving benefits; and LTD had 4,608 active members and 28 retired members or beneficiaries receiving benefits.

All four plans are on a full accrual basis of accounting. Plan assets are recorded at quoted market prices and contributions benefits and refunds are recorded in the month incurred. Administrative costs are financed as direct expenditures of the trust.

As of the most recent actuarial valuation date of January 1, 2014, The RMPR was 106.8 percent funded, the RMPS was 39.3 percent funded, the URX 17.5 percent funded, and the LTD 46.2 percent funded with net assets of \$36.3 million, \$19.7 million, \$0.5 million, and \$5.4 million, respectively. The actuarial accrued liability for benefits for the RMPR, RMPS, URX and LTD was \$34.0 million, \$50.1 million, \$2.8 million, and \$11.6 million respectively, resulting in unfunded actuarial accrued liabilities of -\$2.3 million, \$30.4 million, \$2.3 million and \$6.2 million, respectively. The covered payroll (annual payroll of active employees covered by the plan) of the RMPR was \$285.0 million, and the ratio of unfunded actuarial accrued liability (UAAL) to covered payroll was -0.8 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 use the unit credit method. All four plans used a four percent investment rate of return, and used a three percent inflation adjustment. The LTD plan also assumed a four percent salary increase, while the RMPR, RMPS and URX plans did not incorporate that assumption into their analysis because benefits are not based on salary.

The RMPR and URX assumed no health care cost trend adjustment, and RMPS assumed an annual healthcare cost trend initial rate of seven 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 was reduced to a one-year open period with the transfer to a qualified trust, while twenty-four years remain on the closed period for the RMPR and URX and 30 years remains for the LTD open period.

At June 30, 2014, RMPR was overfunded with a negative unfunded actuarial accrued liability of \$2.3 million, a funded ratio of 106.8 percent, and a one-year amortization period; RMPS had an unfunded actuarial accrued liability of \$30.4 million, a funded ratio of 39.3 percent, and a 24-year amortization period; URX had an unfunded actuarial accrued liability of \$2.3 million, a funded ratio of 17.5 percent, and a 24-year amortization period; and LTD had an unfunded actuarial accrued liability of \$11.6 million, a funded ratio of 46.2 percent, and a 30-year amortization 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. The State uses 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.

The State offers 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.

The Public Employees Retirement Association (PERA) covers short-term disability claims for State employees eligible under its retirement plan (see Note 18A). The

Group Benefit Plans Fund provides 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 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 2013, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution, which was restored from the temporary increase to 10.5 percent for Fiscal Years 2011-12 and 2011-12) to a maximum of \$17,500. Participants who are age 50 and older, and contributing the maximum amount allowable, could make an additional \$5,500 in 2013, for total contributions of \$23,000. Contributions and earnings are tax deferred. At December 31, 2013, the plan had net position of \$643.6 million and 17,462 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 year 2013, PERA members were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution, which was restored from the temporary increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of \$17,500. Participants

who are age 50 and older, and contributing the maximum amount allowable, could make an additional \$5,500 in 2012, for total contributions of \$23,000. Contributions and earnings are tax deferred. On December 31, 2013, the plan had net position of \$2,509.8 million and 68,691 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. The contribution rate was restored from the temporary increase in Fiscal Years 2010-11 and 2011-12 to 10.5 percent (12.5 percent for State Troopers). At December 31, 2013, the plan had a net position of \$113.5 million and 4,719 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 \$125.4 million and \$112.0 million during Fiscal Years 2013-14 and 2012-13, respectively. In addition, the State paid \$89.0 million and \$95.4 million in FICA and Medicare taxes on employee wages during Fiscal Years 2013-14 and 2012-13, 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.

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 2013-14 78 faculty members participated in the program at a present value accrued cost of \$10.9 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. Per statute, individual Department property claims have a \$5,000 deductable per occurrence. Claims brought under state law are limited to \$350,000 per person and \$990,000 per accident pursuant to the Colorado Governmental Immunity Act, CRS 24-10-101. 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 \$50.0 million of excess insurance (\$10.0 million deductible), \$450.0 million of property loss insurance (\$500,000 deductible). Individual department property claims have a \$5,000 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 vears.

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 Colorado University, Adams State University, 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 through the workers' compensation insurance or self-insurance. Benefits are prescribed by the Workers' Compensation Act of Colorado for medical expenses and loss of wages resulting from job-related injuries. The State is self-insured and 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 self-funding approach (used prior to January 1, 2000) for medical claims except for stop-loss insurance purchased for claims over \$350,000 per individual. In Fiscal Year 2013-14, the State recovered approximately \$4.1 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 \$11.7 million of insurance recoveries during Fiscal Year 2013-14. Of that amount approximately \$239,077 was related to asset impairments that occurred in prior years. The remaining \$11.5 million relates to the current year and was primarily recorded by Group Benefits Plans (including the \$4.1 million, as noted above), a Pension and Other Employee Benefits Fund, and \$2.0 million by Higher Education 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 \$1.25 million per general liability claim. There were no significant reductions in insurance coverage in Fiscal Year 2013-14 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 \$350,000 per person and \$990,000 per occurrence. There were no reductions of insurance coverage in Fiscal Year 2013-14, 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 selfinsurance 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 \$285,000 per person and \$10.6 million in aggregate annually. There were no reductions of insurance coverage in Fiscal Year 2013-14 for this program. There have been no claims against the aggregate stop-loss insurance in the previous three years; however, the University collected \$181,032 from the stop-loss insurance carrier for individual claims in excess of the threshold from Fiscal Years 2012 through 2014. 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 and over \$500,000 per claimant. For claims outside of governmental immunity, the Trust has purchased stop-loss insurance to cover claims greater than \$1.5 million per occurrence and \$8.0 million in 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 2013-14, however, the University collected \$127,115 from the stop-loss insurance carrier for individual claims in excess of the threshold from Fiscal Years 2012 through 2014.

Colorado State University is self-insured for employee medical and dental plans, but purchases re-insurance for healthcare claims over \$275,000. 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 reinsurance for individual claims up to statutory limits. There were no significant reductions in insurance coverage in Fiscal Year 2013-14 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 \$10.0 million and additional insurance purchased for claims up to \$15.0 million, for a total of \$25.0 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. The University also carries cyber risk liability insurance up to \$5.0 million (\$100,000 deductible for cyber extortion; \$20,000 deductible for foreign notification; and \$10,000 deductible for crisis management and public relations). The University also purchased \$1.0 million of international liability insurance, \$25.0 million of aviation liability insurance (\$1,000 deductible), and \$1.0 million of unmanned aerial vehicles liability insurance. There were no significant reductions in insurance coverage in Fiscal Year 2013-14, 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 (\$5,000 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 2013-14, 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 \$500,000 of 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 2013-14, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

Fort Lewis College manages general liability risks primarily through the purchase of insurance. The College

has purchased blanket building and personal property insurance of \$420.1 million (\$10,000 deductible), \$2.0 million of general liability (\$0 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 \$1.0 million of employee dishonesty insurance (\$10,000 deductible). Before Fiscal Year 2011-12, the College was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2013-14 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Colorado Mesa University manages worker's compensation risks primarily through the purchase of The University has purchased worker's compensation insurance (\$1,000 deductible). 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 2013-14, and the amount of settlements has not exceeded insurance coverage in the past three fiscal years.

Colorado Mesa University manages general liability risks primarily through the purchase of insurance. The University has purchased general liability insurance (\$0 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 2013-14 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Western State Colorado University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased \$500,000 of worker's compensation insurance (\$500 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 2011-12. There were no significant reductions in insurance coverage in Fiscal Year 2013-14 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Western State Colorado University manages general liability risks primarily through the purchase of insurance. The University has purchased general liability insurance of \$1,000,000 (\$1,000 deductible). Before Fiscal Year 2012-13, 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 2012-13. There were no significant reductions in insurance coverage in Fiscal Year 2013-14, and the amount of settlements has not exceeded insurance coverage in Fiscal Years 2012-13 or 2013-14.

Adams State University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased worker's compensation insurance of \$500,000 per occurrence (\$500 deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2013-14 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Adams State University manages general liability risks primarily through the purchase of insurance. The University has purchased general liability for auto, fidelity, liability and fire insurance of \$1.0 million per occurrence (no deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2013-14 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Changes in claims liabilities were as follows:

Changes in Claims Liabilities (Amounts in Thousands)

Fiscal Year	Liability at July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability at June 30
State Risk Management:				
Liability Fund				
2013-14	29,194	9,503	3,705	34,992
2012-13 2011-12	29,883 24,733	4,715 9,981	5,404 4,831	29,194 29,883
Workers' Compensation	24,733	7,701	4,031	27,003
2013-14	119,689	39,815	32,000	127,504
2012-13	109,609	50,525	40,445	119,689
2011-12	110,322	32,853	33,566	109,609
Group Benefit Plans:				
2013-14 2012-13	12,647 13,695	162,025 138,851	160,424 139,899	14,248 12,647
2012-13	13,904	146,285	146,494	13,695
University of Colorado				
University of Colorado: General Liability, Property,				
and Workers' Compensation				
2013-14	10,962	11,715	8,232	14,445
2012-13 2011-12	10,015 9,977	7,694 4,722	6,747 4,684	10,962 10,015
	.,	1,722	1,001	10,010
University of Colorado Denver:				
Medical Malpractice 2013-14	5,448	3,798	2,107	7,139
2012-13	5,655	1,196	1,403	5,448
2011-12	5,126	2,472	1,943	5,655
Graduate Medical Education				
Health Benefits Program				
2013-14	1,386	8,595	8,270	1,711
2012-13 2011-12	1,408 1,291	6,806 7,121	6,828 7,004	1,386 1,408
	1,271	7,121	7,004	1,400
Colorado State University:				
Medical, Dental, and Disability Benefits				
and General Liability 2013-14	32.540	40,337	39,322	33,555
2012-13	28,948	36,300	32,708	32,540
2011-12 (Restated)	30,282	28,817	30,151	28,948
University of Northern Colorado:				
General Liability, Property,				
and Workers' Compensation	101	/0	00	01
2013-14 2012-13	101 57	69 133	89 89	81 101
2011-12	21	108	72	57
Fort Lewis College:				
Worker's Compensation				
2013-14	3	18	-	21
2012-13	301	(298)	-	3
2011-12	315	133	147	301
General Liability				
2013-14 2012-13	- 1/7	- (1/7)	-	-
2012-13	167 307	(167)	140	167
Adams State University				
Workers' Compensation				
2013-14	-	-	-	-
2012-13	-	-	-	-
2011-12	35	-	35	-
General Liability				
2013-14	-	-	-	-
2012-13 2011-12	11 158	(11)	147	- 11
Colorado Mesa University:	130		147	"
Workers' Compensation				
2013-14	67	26	76	17
2012-13	67	56	56	67
2011-12	140	(6)	67	67
General Liability				
2013-14	118	(30)	88	-
2012-13 2011-12	118 21	259 130	259 33	118 118
Western State Colorado University:	۷1	130	33	110
Workers' Compensation 2013-14	110	_	96	14
2012-13	208	(70)	28	110
2011-12	185	122	99	208
General Liability		(0.0)		
2013-14 2012-13	20	(20) 20	-	20
2012-13	-	20	-	20

Component Units

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, 2014, the State had the following gross amounts of assets under capital lease:

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

				Equipment
L	and.	В	uildings	and Other
\$	735	\$	62,847	\$ 213,706
	-		31,147	35,814
\$	735	\$	93,994	\$ 249,520
		-	\$ 735 \$	\$ 735 \$ 62,847 - 31,147

At June 30, 2014, the State expected the following sublease rentals related to its capital and operating leases:

(Amounts in Thousands)

Sublease Rentals											
	Capital Operating Total										
Governmental Activities	\$	144	\$	544	\$	688					
Business-Type Activities		-		111		111					
Total	\$	144	\$	654	\$	798					

During the year ended June 30, 2014, the State incurred the following contingent rentals related to capital and operating leases:

(Amounts in Thousands)

Contingent Rentals										
	Capital Operating Total									
Business-Type Activities	\$	_	\$	24	\$	24				
Total	\$	-	\$	24	\$	24				

Colorado State University Research Foundation (CSURF), a related party, is a not-for-profit Colorado corporation, established to aid and assist the institutions governed by the Colorado State University System Board of Governors in their research and educational efforts.

Support provided by the Foundation to the institutions (Colorado State University and Colorado State University – Pueblo) includes patent and licensing management, finance and acquisition of research and educational facilities, and acquisition and management of equipment and land. Colorado State University paid CSURF \$745,895 in Fiscal Year 2013-14 for leased space, and at June 30, 2014 had total future lease obligations for leased space of \$3.4 million. It also paid CSURF \$2.5 million during the fiscal year for equipment and vehicles and had total future lease obligations for leased equipment and vehicles of \$8.3 million.

In Fiscal Year 2013-14, 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 Community College's main campus.

For Fiscal Year 2013-14, the State recorded building and land rent of \$52.0 million and \$21.6 million for governmental and business-type activities, respectively. The State also recorded equipment and vehicle rental expenditures of \$12.6 million and \$39.6 million for 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's fleet management program.

The State recorded \$4.1 million of lease interest costs for governmental activities and \$1.5 million for business-type activities.

The State entered into approximately \$22.3 million of capital leases related to the State's fleet management program, which is reported in an internal service fund that does not report capital lease proceeds.

Future minimum payments at June 30, 2014, for existing leases were as follows:

(Amounts in Thousands)

	Operating Leases			ses	Capita	al Lease	es
Fiscal Year(s)		ernmental ctivities		iness-Type Activities	ernmental ctivities		ness-Type ctivities
2015	\$	49,068	\$	21,716	\$ 32,039	\$	7,842
2016		40,754		17,743	29,240		7,931
2017		27,883		12,813	26,097		7,203
2018		25,103		11,285	20,191		4,954
2019		20,630		9,057	16,396		3,316
2020 to 2024		64,621		22,590	57,089		12,408
2025 to 2029		19,371		5,465	19,352		6,069
2030 to 2034		1,624		631	4,709		683
2035 to 2039		907		631	-		-
2040 to 2044		674		631	-		-
2045 to 2049		661		400	-		-
2050 to 2054		661		-	-		-
Total Minimum Lease Payments		251,957		102,962	205,113		50,406
Less: Imputed Interest Costs					30,117		8,214
Present Value of Minimum Lease Payments	\$	251,957	\$	102,962	\$ 174,996	\$	42,192

Component Units

The Colorado Water Resources and Power Development Authority leases office facilities under an operating lease that expires December 31, 2018. Total rental expense for the year ended December 31, 2013 was \$117,479. The total minimum rental commitment as of December 31, 2013 is \$586,388.

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 \$1.2 million at June 30, 2013. Total minimum lease payments including interest at June 30, 2013, were \$1.3 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 net book value of property and equipment under the capital lease was \$5.8 million net of accumulated depreciation of \$4.8 million as of June 30, 2013.

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, 2013 was \$170,256. The total minimum rental commitment under the leases was \$0.3 million at June 30, 2013.

NOTE 23 – SHORT-TERM DEBT

On July 10, 2013 the State Treasurer issued \$500.0 million of General Fund Tax Revenue Anticipation Notes (GTRAN), Series 2013. The notes were due and payable on June 27, 2014, at a coupon rate of 1.33 percent. The total interest related to this issuance was \$6.4 million; however, the notes were issued at a premium of \$5.6 million resulting in net interest costs (including the cost of issuance) of \$940,274 and a yield of 0.17 percent. The notes were issued for cash management purposes and were repaid before June 27, 2014, 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 16, 2013, the State Treasurer issued \$130.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2013A. The notes were due and payable on June 27, 2014, at a coupon rate of 1.25

percent. The total interest related to this issuance was \$1.5 million; however, the notes were issued at a premium of \$1.3 million, resulting in net interest costs (including cost of issuance) of \$431,151 or 0.17 percent. The notes matured on June 27, 2014 and were repaid.

On January 6, 2014, the State Treasurer issued \$210.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2013B. The notes were due and payable on June 27, 2014, at a coupon rate of 2.00 percent. The total interest related to this issuance was \$2.0 million; however, the notes were issued at a premium of \$2.0 million, resulting in net interest costs (including cost of issuance) of \$266,370 or 0.11 percent. The notes matured on June 27, 2014, and were repaid.

The following schedule shows the changes in short-term financing for the period ended June 30, 2014:

(Amount in Thousands)

	Beginr Balar	•		Cha	nges		End Bala	ling nce
	July	1	P	Additions	R	eductions	June	e 30
Governmental Activities:								
Tax Revenue Anticipation Notes	\$	-	\$	500,000	\$	(500,000)	\$	-
Education Loan Anticipation Notes	\$	-		340,000	\$	(340,000)		-
Total Governmental Activities Short-Term Financing		-		840,000		(840,000)		-
Total Short-Term Financing	\$	-	\$	840,000	\$	(840,000)	\$	

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

Primary Government

Various institutions of higher education, the State Nursing Homes, History Colorado, the Judicial Branch, and the Departments of Corrections, Transportation, Agriculture, 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 2013-14 the State's governmental activities had \$167.3 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 \$1,182.4 million of available net revenue after operating expenses to meet the \$752.5 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 36.)

During Fiscal Year 2013-14 the State recorded \$249.3 million of interest costs, of which \$78.6 million was recorded by governmental activities and \$170.7 million recorded by business-type activities. The governmental activities interest cost primarily comprises \$26.6 million of Highway Users Tax Fund interest on Transportation Revenue Anticipation Notes issued by the Department of Transportation, \$17.8 million of interest on Certificates of Participation issued by the Judicial Branch, and \$25.7 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 \$146.6 million of interest on revenue bonds issued by institutions of higher education, \$11.7 million of interest paid to lending institutions that made loans to students under the College Assist loan guarantee program, \$6.3 million of interest on bonds issued by the Bridge Enterprise in the Transportation Enterprise, and \$5.7 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, 2014, are as follows:

(Amounts in Thousands)

						C	Governmer	ntal /	Activities								
	Fiscal		Revenue Bonds				Notes Payable				ificates of I	Part	icipation	Totals			
	Year		Principal		Interest		Principal		Interest		Principal		Interest		Principal		Interest
	2015		\$ 147,225	\$	20,104	\$	2,135	\$	359	\$	38,550	\$	50,278	\$	187,910	\$	70,741
	2016		157,220		10,268		2,045		317		41,710		48,223		200,975		58,808
	2017		126,100		2,680		2,090		275		42,805		47,143		170,995		50,098
	2018		-		-		2,135		231		43,990		45,956		46,125		46,187
	2019		-		-		2,175		187		52,550		53,586		54,725		53,773
2020	to	2024	-		-		6,805		285		229,465		204,470		236,270		204,755
2025	to	2029	-		-		-		-		306,500		163,593		306,500		163,593
2030	to	2034	-		-		-		-		259,185		100,992		259,185		100,992
2035	to	2039	-		-		-		-		140,590		49,600		140,590		49,600
2040	to	2044	-		-		-		-		68,785		16,330		68,785		16,330
2045	to	2049	-		-		-		-		18,250		738		18,250		738
Subtotals	5		430,545		33,052		17,385		1,654	1	,242,380		780,909		1,690,310		815,615
Unamorti Prem/Dis Accrued (Apprecial	count Capital	tificates	13,336		-		-		-		25,490		-		38,826 -		- -
Totals			\$ 443,881	\$	33,052	\$	17,385	\$	1,654	\$ 1	1,267,870	\$	780,909	\$	1,729,136	\$	815,615

(Amounts in Thousands)

					Bu	siness-Type	Activities							
	Fiscal		Reven	ue Bonds		Notes P	ayable	Cer	tificates of	Parti	icipation	To	tals	
	Year		Principal	Interest		Principal	Interest		Principal		Interest	Principal		Interest
	2015		\$ 222,642	\$ 171,276	\$	1,294	\$ 121	\$	19,805	\$	18,545	\$ 243,741	\$	189,942
	2016		226,688	166,198		1,380	104		20,749		17,686	248,817		183,988
	2017		229,637	160,452		1,389	61		21,679		16,720	252,705		177,233
	2018		106,854	154,100		609	19		22,749		15,662	130,212		169,781
	2019		112,571	149,679		71	6		23,709		14,502	136,351		164,187
2020	to	2024	590,239	673,409		76	15		138,336		52,624	728,651		726,048
2025	to	2029	669,663	524,665		7	-		110,533		17,608	780,203		542,273
2030	to	2034	696,293	348,140		-	_		24,800		1,064	721,093		349,204
2035	to	2039	594,886	168,907		-	-		-		-	594,885		168,907
2040	to	2044	288,738	35,150		-	-		-		-	288,738		35,150
2045	to	2049	11,795	677		-	-		-		-	11,795		677
Subtotals			3,750,006	2,552,653		4,826	326		382,360	1	54,411	4,137,191		2,707,390
Unamorti	zed													
Prem/Dis	count		187,044	-		(16)	-		21,401		-	208,429		-
Unaccrete	ed Intere	st	(10,629)	-		_	_		-		-	(10,629)		
Totals			\$ 3,926,421	\$ 2,552,653	\$	4,810	\$ 326	\$	403,761	\$ 1	54,411	\$ 4,334,991	\$	2,707,390

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.

Assuming current interest rates are applied over the term of the debt, at June 30, 2014, the Colorado School of Mines' aggregate debt service payments and net swap cash payments are reflected in the table below:

(Amounts in Thousands)

Net	Net Debt Service for Colorado School of Mines' Interest Rate Swap Agreement											
							Inte	rest Rate				
	Fiscal Yea	ır	P	rincipal		Interest	Sv	vap, Net		Total		
	2015		\$	625	\$	53	\$	1,398	\$	2,076		
	2016			625		52		1,377		2,054		
	2017			675		51		1,354		2,080		
	2018			975		50		1,325		2,350		
	2019			550		49		1,300		1,899		
2020	to	2024		3,900		232		6,149		10,281		
2025	to	2029		8,150		197		5,214		13,561		
2030	to	2034	-	13,600		120		3,192		16,912		
2035	to	2039	•	11,685		29		782		12,496		
2040	to	2044		-		-		-		-		
Totals			\$ 4	10,785	\$	833	\$	22,091	\$	63,709		

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	\$	1,488,500 4,687,724	\$	21,205 9,488	\$ 1,282,685 475,373	\$ \$	2,792,390 5,172,585
Total	\$	6,176,224	\$	30,693	\$ 1,758,058	\$	7,964,975

Component Units

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, 2013.

Debt service requirements to maturity for the Colorado Water Resources and Power Development Authority at December 31, 2013, excluding unamortized original issue discount and premium and deferred refunding costs are:

(Amounts	in	Thousands'	١

Year	ı	Principal	Interest	Total
2014	\$	50,165	\$ 34,960	\$ 85,125
2015		45,415	32,732	78,147
2016		46,430	30,654	77,084
2017		45,685	28,502	74,187
2018		43,720	26,353	70,073
2019 to 2023		187,050	103,460	290,510
2024 to 2028		160,210	65,102	225,312
2029 to 2033		123,800	33,857	157,657
2034 to 2038		61,255	6,292	67,547
2039 to 2043		4,680	545	5,225
Total Future Payments	\$	768,410	\$ 362,457	\$ 1,130,867

The original principal amount for the outstanding bonds was \$1,485.4 million. Total interest paid during 2013 was \$35.9 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 Water Resources Revenue Bonds, Series 2004B, 2004C, 2004D, 2004E, 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, 2005D, Series 2008A, Series 2009A, Series 2010A, 2011A and 2013A 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, 2013, it had \$13.9 million of these bonds outstanding.

Metropolitan State University 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 University's Hotel and Hospitality Learning Center. The debt service requirements to maturity for HLC @ Metro, Inc. at June 30, 2013, are as follows:

(Amounts in Thousands)

	•				
Fiscal Year	P	rincipal	I	nterest	Total
2014	\$	-	\$	3,226	\$ 3,226
2015		410		3,219	3,629
2016		710		3,202	3,912
2017		825		3,178	4,003
2018		1,075		3,138	4,213
2019 to 202	3	6,710		14,874	21,584
2024 to 202	8	7,930		12,951	20,881
2029 to 203	3	9,590		10,261	19,851
2034 to 203	8	11,745		6,825	18,570
2039 to 204	3	15,890		2,487	18,377
Total Future Payr	ments \$	54,885	\$	63,361	\$ 118,246

NOTE 25 – CHANGES IN LONG-TERM LIABILITIES

Primary Government

The following table summarizes the changes in long-term liabilities for Fiscal Year 2013-14:

(Amount in Thousands)

	Restated Beginning Balance		Cha	inges		Ending Balance	Due Within
	July 1	P	Additions		Reductions	June 30	One Year
Governmental Activities							
Deposits Held In Custody For Others	\$ 3,413	\$	3,109	\$	(3,405)	\$ 3,117	\$ 2,978
Accrued Compensated Absences	149,368		17,599		(10,505)	156,462	10,470
Claims and Judgments Payable	370,324		9,680		(16,479)	363,525	51,299
Capital Lease Obligations	151,010		47,335		(23,349)	174,996	26,941
Bonds Payable	593,460		-		(149,579)	443,881	147,225
Certificates of Participation	1,192,854		214,748		(139,732)	1,267,870	38,550
Notes, Anticipation Warrants, Mortgages	19,220		170		(2,005)	17,385	2,135
Other Long-Term Liabilities	444,118		21,125		(62,289)	402,954	-
Total Governmental Activities Long-Term Liabilities	2,923,767		313,766		(407,343)	2,830,190	279,598
Business-Type Activities							
Accrued Compensated Absences	252,938		37,985		(22,658)	268,265	18,117
Claims and Judgments Payable	38,993		3,858		(1,869)	40,982	-
Capital Lease Obligations	41,728		7,570		(7,106)	42,192	6,610
Derivative Instrument Liabilities	8,333		447		(214)	8,566	-
Bonds Payable	3,791,503		414,939		(239,237)	3,967,205	223,267
Certificates of Participation	424,954		-		(21,193)	403,761	19,805
Notes, Anticipation Warrants, Mortgages	3,521		1,978		(689)	4,810	1,294
Other Postemployment Benefits	177,176		28,960		(24,490)	181,646	-
Other Long-Term Liabilities	38,497		9,038		(978)	46,557	-
Total Business-Type Activities Long-Term Liabilities	4,777,643		504,775		(318,434)	4,963,984	269,093
Fiduciary Activities							
Deposits Held In Custody For Others	754,454		599,972		(749,748)	604,678	598,712
Accrued Compensated Absences	37		19		(1)	55	_
Other Long-Term Liabilities	645		4,065		(2)	4,708	-
Total Fiduciary Activities Long-Term Liabilities	755,136		604,056		(749,751)	609,441	598,712
Total Primary Government Long-Term Liabilities	\$ 8,456,546	\$	1,422,597	\$	(1,475,528)	\$ 8,403,615	\$ 1,147,403

The beginning balance was restated to exclude \$20.0 million in governmental activities and \$87.9 million in business type Activities in unamortized refunding gains and losses. With the implementation of GASB Statement No. 65 - <u>Items Previously Reported as Assets and Liabilities</u>, unamortized refunding losses are reported as deferred outflows.

Accrued compensated absences liabilities of both governmental activities and the business-type activities are normally liquidated using resources of the fund that are 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 amounts shown in the schedule above for Notes, Bonds, and Certificates of Participation do not include short-term borrowing disclosed in Note 23. A current portion is not normally identifiable for Claims and Judgments Payable, Derivative Instrument Liabilities, Other Post Employment Benefits in business-type activities and Other Long-Term Liabilities in both governmental activities and 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, 2014, the following obligations were classified as Other Long-Term Liabilities on the government-wide *Statement of Net Position*:

The \$403.0 million shown for governmental activities primarily comprises:

- \$237.7 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.
- \$162.7 million of pollution remediation obligations at the Department of Public Health and Environment (see Note 27 for additional information on pollution remediation obligations).

Component Units

Changes in long-term liabilities are summarized as follows:

• \$2.5 million of unclaimed property liabilities estimated to be due to claimants.

The \$46.6 million (including \$1.7 million Due to Component Units) shown for business-type activities primarily comprises \$21.3 million of unearned revenue in Higher Education Institutions, the most significant balances of which relate to an early retirement incentive program and an alternate Medicare program at the University of Colorado (\$9.8 million and \$9.5 million, respectively). The High Performance Transportation Enterprise in the Department of Transportation includes \$23.4 million payable under a Transportation Infrastructure Finance and Innovation loan.

(Amounts in Thousands)

		eginning Balance	А	dditions	R	eductions		Ending Balance		Current Portion
Colorado Water Resources and Pov	ver Deve	elopment Autl	nority							
Bonds Payable Other Long-Term Liabilities	\$ \$	876,845 162,301	\$ \$	108,290 50,997	\$ \$	(216,725) (60,643)	\$ \$	768,410 152,655	\$ \$	50,165 100,580

Other Long-Term Liabilities of the Colorado Water Resources and Power Development Authority were primarily contained in its Drinking Water Fund, accounting for \$13.7 million of the \$31.9 million total. Other long-term liabilities of the Water Pollution Control Fund and Water Operations Fund were \$9.4 million and \$8.8 million respectively. Thirty-four percent of total, other long-term liabilities (\$11.0 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, charitable remainder trusts held by others, and perpetual trusts. Charitable gift annuity assets are immediately available to the foundation. termination of 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 applicable 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 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 Position – Component Units.* At June 30, 2013, the foundation held \$41.3 million of split interest agreement investments with \$18.9 million of related liabilities and reported \$5.4 million of net beneficial interest in charitable trusts held by others.

At June 30, 2013, the University of Colorado Foundation held \$278.9 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.

At June 30, 2013, the Colorado State University Foundation held \$14.0 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, 2013, the Colorado School of Mines Foundation (CSMF), acting as trustee, held charitable trust and pooled income assets of \$15.5 million; related liabilities of \$10.7 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 \$10.7 million mentioned above and total \$4.8 million. At June 30, 2013, CSMF reported \$19.8 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.

CoverColorado, a nonmajor component unit, reserved \$22.3 million for health policy claims. On the *Statement of Net Position – Component Units*, this liability is reported as Claims and Judgments Payable.

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 2013-14, debt was defeased in both governmental and business-type activities.

At June 30, 2014, 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	\$ 134,640
Department of Treasury	\$ 18,240
Department of Corrections	\$ 94,330
Business-Type Activities:	
University of Colorado	\$ 372,905
Colorado State University	\$ 254,675
Colorado School of Mines	\$ 14,975
Western State College	\$ 13,280
University of Northern Colorado	\$ 55,252
Colorado Mesa University	\$ 45,510
Community College System	\$ 4,740
Total	\$ 1,008,547

The Department of Corrections issued \$111,780,000 of its Certificates of Participation, Series 2013 to fully defease \$71,980,000 of its Certificates of Participation, Series 2006B and \$25,165,000 of its Certificates of Participation, Series 2010. The defeased debt had an interest of 3.61 percent, and the new debt had an interest rate of 2.23 percent. The remaining term of the debt was 7.6 years and the estimated debt service cash flows decreased by \$1,535,926. The defeasance resulted in an economic loss of \$16,248,253 and a book loss of \$6,040,261 that will be amortized as an adjustment of interest expense over the remaining 4.2 years of the new debt.

The Board of Trustees of the Colorado School of Mines used available cash of \$9,299,432 to fully defease its 2009A Enterprise Refunding Improvement Revenue Bonds. The defeased debt had an interest of 5.00 to 5.25 percent, and the new escrow deposit has an interest rate of 0.88 to 4.88 percent. The remaining term of the debt was 23.6 years and the term of the new escrow deposit is 4 years. The estimated debt service cash flows decreased by \$2,048,092. The refunding resulted in an economic gain of \$1,296,832 and a book loss of \$1,764,700 that will be amortized as an adjustment of interest expense over 4 years.

The Board of Trustees of the University of Northern Colorado issued \$52,465,000 of its Institutional Enterprise Revenue Refunding Bonds, Series 2014A to partially defease its 2005 Auxiliary Revenue Refunding and Improvement Bonds. The defeased debt had an interest of 4.96 percent, and the new debt has an interest rate of 3.45 percent. The remaining term of the debt was 21 years and the term of the new debt is 21 years. The estimated debt service cash flows decreased by \$5,592,412. The refunding resulted in an economic gain of \$3,955,122 and a book loss of \$799,172 that will be amortized as an adjustment of interest expense over 21 years.

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, 2014 was \$172.4 million (\$9.6 million of which was a current liability). Superfund sites account for approximately \$165.8 million (\$3.1 million of which was a current liability) of the State's total pollution remediation obligation. Other pollution obligations of the State generally 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 \$82.1 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 cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in calendar year 2023, the State will assume 100 percent of the operating costs of the new plant, estimated at \$3.4 million annually. 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, 2013, the State has received \$7.4 million in recoveries from other responsible parties.

- DPHE recorded a liability for remediation activities in the Clear Creek Basin of approximately \$52.7 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 clean-up activities, projected postremediation operating and monitoring costs, the State operation of an existing water treatment plant, and operation of a new water treatment plant whose construction commenced in 2013. Current operating and maintenance costs are borne 100 percent by the State. The State's share of the costs to complete the remaining remediation projects is estimated to total \$2.2 million through 2016. Beginning in 2016, the department will share these costs with the EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA for 10 years, after which time the State assumes 100 percent of the costs. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.
- DPHE recorded a liability for remediation activities at the Captain Jack Mill of approximately \$5.4 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. Two remedial design projects on surface and subsurface water have been completed. The cost-sharing ratio of 10 percent State, 90 percent EPA, is expected to end in 2018 at which time the State assumes 100 percent of the cost. 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 Potential changes affecting these advancements. 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.
- DPHE recorded a liability for remediation activities at the Nelson Tunnel of approximately \$16.8 million related to the clean-up of contamination from mine waste piles and drainage. The liability includes the construction of a water treatment plan from 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.

 The University of Colorado recorded a liability for remediation activities at its Boulder Campus of approximately \$6.2 million related to water damage to many structures caused by excessive rain. In September 2013, the campus incurred damage to 110 of its buildings, two of its parking lots, one of its pedestrian bridges, and several of its underground tunnels. An environmental firm assessed the facilities and determined that the damage be considered an environmental hazard. The accrued liability is based upon the estimate provided by environmental firm and the University's Facilities Management project managers. Insurance recoveries are expected to cover the full cost and a receivable of \$6.2 million has been recorded for the recoveries.

NOTE 28 – DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

DEFERRED INFLOWS

A. NONEXCHANGE TRANSACTIONS

With the implementation of GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities, certain items previously recognized as assets and liabilities were reclassified to a deferred outflows of resources, a consumption of assets by the entity that is applicable to a future reporting period, and a deferred inflow of resources, an acquisition of assets by the entity that is applicable to a future reporting period. The table below provides information about amounts reported as deferred outflows/inflows on the *Statement of Net Position* as of June 30, 2014.

(Amounts in Tho	usands)	
	Governmental	Business-Type
	Activities	Activites
Deferred Outflow of Resources:		
Derivatives	-	997
Refunding Loss	18,289	118,849
	18,289	119,846
Deferred Inflow of Resouces		
Nonexchange Transactions	338	-
Unavailable Governmental Revenue	4,321	-
	4,659	-

Deferred inflows are recorded for grant receipts when all of the eligibility requirements for the grant have been met except the time requirement. As of June 30, 2014, the Department of Health Care Policy and Financing held \$0.3 million in receipts awaiting the passage of time.

B. UNAVAILABLE GOVERNMENTAL REVENUE

Deferred Inflows are recorded for unavailable revenue in governmental funds that result from long-term receivables. The majority of the deferred inflow balance is recognized as revenue over time in the government-wide Statement of Activities. On the Balance Sheet - Governmental Funds total \$226.9 million and primarily include \$213.3 million related to long-term taxes receivable in the Department of Revenue and \$8.2 million in the Department of Local Affairs related to a grant revolving loan fund program.

DEFERRED OUTFLOWS

C. 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 Refunding Bonds issued in 2010. 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 outflows \$1.0 million as of June 30, 2014.

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 \$41.4 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 0.13 percent at June 30, 2014. Cash flows between the parties are settled on the net difference. The market value to Colorado School of Mines as of June 30, 2014 was \$8.3 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.
- Credit Risk This is the risk that the counterparty will not fulfill its obligations. The School does not

- consider this a significant risk due to the counterparty's credit quality rating.
- 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.

D. REFUNDING LOSSES

Losses on debt refunding transactions are recorded as deferred outflows and generally amortized over the life of the new debt. On June 30, 2014, deferred outflows in governmental activities related to unamortized refunding losses included \$12.3 million in the Department of Transportation and \$6.0 in the Department of Corrections. All of the unamortized refunding losses in business-type activities were in Higher Education Institutions.

Component Unit

The Colorado Water Resources and Power Development Authority recorded \$4.5 million as a deferred outflow of resources for costs and losses of issuing current and advance refunding bonds. The Authority also recorded \$0.7 million in deferred inflows of resources for bond refunding gains.

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

NOTE 29 - PRIOR PERIOD ADJUSTMENTS AND ACCOUNTING CHANGES

A. PRIOR PERIOD ADJUSTMENTS

The beginning net position/fund balance was restated as a result of the following prior period adjustments.

	Government-Wide	Statements	Fund-	Fund-Level Statements			
			Major Governmental Fund	Major Proprie	etary Fund		
Subject	Governmental Activities	Business-Type Activities	Other Special Revenue Funds	Higher Education Institutions	Internal Service Funds		
Healthy Forest	285,000	(285,000)	285,000	(285,000)			
Fleet Management	1,433,302				1,433,302		
	1,718,302	(285,000)	285,000	(285,000)	1,433,302		

A total of \$285,000 moved from business-type activity in Higher Education Institutions to governmental activity in Other Special Revenue Funds when the Department of Public Safety transferred the Healthy Forests and Vibrant Communities Fund to the Wildfire Preparedness Fund. The transfer also required a decrease of \$285,000 to the beginning cash balance on the *Statement of Cash Flows-Proprietary Funds*.

Governmental activities increased by \$1,433,302 in Internal Service Funds when Central Services within the Department of Personnel and Administration, failed to record accumulated depreciation related to its fleet management activities in prior years.

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

B. ACCOUNTING CHANGES

During Fiscal Year 2013-14, the State implemented GASB Statement No. 65 - <u>Items Previously Reported as Assets and Liabilities</u>. As a result of this implementation, certain items previously reported as assets or liabilities were expensed or reclassified as deferred outflows of resources or deferred inflows of resources.

The table below shows the reclassified item and the effect of these changes to the beginning fund balance or beginning net position on the government-wide Statement of Activities and the fund-level statements as listed.

	Government-Wi	de Statements	Fund-Level Statements				
	•		Major Governmental Fund	N	Major Proprietary Fund		
	Governmental	Business-Type		Higher Education		Internal Service	
Reclassified Item	Activities	Activities	Resource Extraction	Institutions	Other Enterprise	Funds	
Prepaid Expenses Related to Debt Issuance	-	9,975		9,975			
Long-Term Loans Receivable for Loan Commitment Fee	850,683		850,683				
Deferred Debt Issuance Costs	(9,142,551)	(30,338,542)		(26,687,555)	(3,650,987)	(64,075)	
Adjustment Related to the Accounting Change	(8,291,868)	(30,328,567)	850,683	(26,677,580)	(3,650,987)	(64,075)	



NOTE 30 - FUND BALANCE

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

	Restricted	Committed	Assigned
	Purposes	Purposes	Purposes
GENERAL FUND:			
General Government	\$ 263,740	\$ 374,571	\$ 25,732
Business, Community and Consumer Affairs	-	36,590	_
Education	196,922	-	-
Justice	8,096	-	-
Natural Resources	-	196	-
TOTAL	\$ 468,758	\$ 411,357	\$ 25,732
RESOURCE EXTRACTION:			
General Government	\$ 63,500	\$ 252	\$ -
Business, Community and Consumer Affairs	-	166,881	- -
Education	-	15,299	-
Natural Resources	13,870	879,540	-
TOTAL	\$ 77,370	\$ 1,061,972	\$ -
HIGHWAY USERS TAX:			
General Government	\$ 8,608	\$ 2,752	\$ -
Health and Rehabilitation	12	2,179	-
Justice	-	1,778	-
Transportation	1,077,768	28,121	-
TOTAL	\$ 1,086,388	\$ 34,830	\$ -
CAPITAL PROJECTS:			
General Government	\$ -	\$ 262,651	\$ -
Education	-	6,482	-
Health and Rehabilitation	-	36	-
Justice	3,298	1,130	-
Natural Resources	=	49	-
TOTAL	\$ 3,298	\$ 270,348	\$ -
STATE EDUCATION:			
Education	\$ 1,087,814	\$ -	\$ -
TOTAL	\$ 1,087,814	\$ -	\$ -
OTHER GOVERNMENTAL FUNDS:			
General Government	\$ 143,344	\$ 297,241	\$ -
Business, Community and Consumer Affairs	57,005	\$ 222,240	-
Education	25,351	\$ 48,246	-
Health and Rehabilitation	11,417	\$ 121,596	-
Justice	32,988	\$ 185,379	-
Natural Resources	10,210	\$ 17,163	-
Social Assistance	-	\$ 41,109	-
Transportation	13,634	\$ 1,012	
TOTAL	\$ 293,949	\$ 933,986	\$ -

The significant fund balances held for restricted purposes as of June 30, 2014, include:

- \$253.1 million in the General Fund in the General Government function from bond proceeds issued by the Building Excellent Schools Today (BEST) program and held by the State Treasurer to fund public school construction.
- \$177.6 million in the General Fund in the Education function related to the BEST program; a portion in cash from bond proceeds issued by the Treasurer and a portion in local school district matching funds restricted for public school fund construction under a settlement agreement.
- \$1,086.4 million in the Highway Users Tax Fund in the Transportation function from motor fuels tax and fees that pursuant to Article X, Section of the State Constitution is restricted for highway construction and maintenance.
- \$1,087.8 million in the State Education Fund in the Education function from 0.33 percent of income taxes is restricted for educational purposes pursuant to Article IX. Section 17 of the State Constitution.
- \$83.0 million in the Other Governmental Funds in the General Government function represents a portion of the TABOR emergency reserve recorded in the Major Medical Fund, \$44.2 million of investments recorded in Building Excellent Schools Today Fund and \$9.9 million recorded in the Tobacco Tax Fund.

The significant fund balances held for committed purposes as of June 30, 2014, include:

- \$374.6 million in the General Fund in the General Government function represents the portion of the \$410.9 million representing the five percent statutory reserve available on a GAAP basis (see Note 6I).
- \$137.4 million in the Resource Extraction Fund in the Business, Community, and Consumer Affairs function from severance tax and federal mineral leasing moneys held for the Department of Local Affairs for distribution to local governments.
- \$211.1 million in the Resources Extraction Fund in the Natural Resources function represents severance tax receipts held by the Department of Natural Resources, \$384.0 million represents cash balances and loans receivable for loans issued to local governments by the Colorado Water Conservation Board, \$178.7 million in cash and \$205.3 million in loans, and \$138.2 million represents long term severance tax loans receivables.
- \$297.2 million primarily in the Other Governmental Funds in the General Government function represents \$113.3 million in the Unclaimed Property Fund, \$62.4 million in Lottery Funds, \$26.1 million in Medical Marijuana License Fund, and \$5.1 million in Energy Efficiency Project Fund.
- \$222.2 million in Other Governmental Funds in the Business, Community and Consumer Affairs function primarily represents \$94.7 million in the Major Medical Fund, \$42.0 million in the Clean and Renewable Energy Fund, and \$27.9 million in the Workmen's Compensation Fund.
- \$121.6 million in the Other Governmental Funds in the Health and Rehabilitation function primarily represents \$33.2 million in the Natural Resources Damage Recovery Fund, \$24.4 million in the Hazardous Substances Response Fund, \$14.1 million in the Medical Marijuana Cash Fund, and \$12.4 million in the Nutrients Grant Fund.
- The \$185.4 million in Other Governmental Funds in the Justice function primarily represents \$\$83.5 million in the Disaster Emergency Fund.

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 five 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 2013-14 there was no use of the reserve. As of June 30, 2014, on a legal budgetary basis the reserve was \$410.9 million. On a GAAP basis only \$ 249.2 million was available for the reserve (see Note 6I).

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

NOTE 32 – MINIMUM FUND BALANCE POLICIES

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

Pursuant to Rule 8.2003.D, the Hospital Provider Fee Oversight Advisory Board has established a reserve of four percent of the estimated expenditures for the Hospital Provider Fee Cash Fund plus any interest accrued by the fund. For Fiscal Year 2013-14 the maximum that could be held in reserve was \$38.5 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, 2014, were:

.

	General Fund	Resource Extraction	Highway Users Tax	Capital Projects	
SELLER'S/LENDER'S RECEIVABLE					
MAJOR FUNDS:					
General Fund					
General Purpose	\$ 6,914	\$ -	\$ 1,217	\$ -	
Special Purpose	15,046	-	-	-	
Resource Extraction	30,028	-	-	82	
Highway Users	547	-	-	-	
Regular Capital Projects	135,336	-	-	-	
Special Capital Construction	-	-	-	-	
State Education	79,752	-	-	-	
Higher Education Institutions	2,447	245	92	-	
NONMAJOR FUNDS: SPECIAL REVENUE FUNDS:					
Labor	70,132	-	-	-	
Tobacco Impact Mitigation	68	-	-	-	
Environment and Health Protection	10,000	10,000	-	-	
Unclaimed Property	-	-	-	-	
Other Special Revenue	102	-	-	-	
PERMANENT FUNDS:					
State Lands Trust	-	-	-	-	
State Lands Trust Nonexpendable	-	-	-	-	
ENTERPRISE FUNDS:					
Wildlife	_	-	25	_	
Correctional Industries	10	-	-	-	
State Nursing Homes	1,185	-	-	-	
INTERNAL SERVICE FUNDS:					
Central Services	-	-	-	-	
Information Technology	1,042	-	14	-	
Public Safety	-	-	-	-	
FIDUCIARY FUNDS:					
Group Benefit Plans	24,005	-	1	-	
Treasurer's Private Purpose	-	-	-	-	
College Savings Plan	-	-	-	-	
College Opportunity	12	-	-	-	
Other Fiduciary	-	-	-	-	
TOTAL	\$ 376,626	\$ 10,245	\$ 1,349	\$ 82	

(Amounts in Thousands)

BUYER'S/BORROWER'S PAYABLE

Edu	igher ucation itutions	State .ottery	All Other Funds	Total
\$	174 - - - - - -	\$ - 16,939 - - - - - -	\$ 22,452 7,965 5,258 4,731 - 222 - 2,698	\$ 30,757 39,950 35,368 5,278 135,336 222 79,752 5,482
	- - - -	- - - -	2,157 461 3 2,008	70,132 2,225 20,461 3 2,111
		- -	14,084 7,607	14,084 7,607
	208 1,338 -	3,051 - -	212 - -	3,496 1,348 1,185
	4 - 4	- - -	- - -	4 1,056 4
	386 - - - -	- - - - 10,519	- 801 5,700 - -	24,392 801 5,700 12 10,519
\$	2,114	\$ 30,509	\$ 76,359	\$ 497,285

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.

General Fund Surplus transfers in the amount of \$210.8 million are comprised of the following: \$135.3 million to the Capital Projects Fund; \$34.5 million to the State Education Fund; \$30.0 million to the Resource Extraction Fund; \$1.0 million to the Economic Development Fund (a Special Purpose General Fund); and \$10.0 million to the Environment and Health Protection Fund (an Other Special Revenue Fund). On September 15, 2014, these transfers were distributed with the exception of the portion of capital construction funds related to controlled maintenance projects and a residual amount to the State Education Fund. The remainder of the transfers will occur after the publication date of the State's Fiscal Year 2013-14 Comprehensive Annual Financial Report in December 2014.

The General Purpose Revenue Fund receivable of \$22.5 million from All Other Funds primarily includes \$11.8 million of receivables from the Limited Gaming Fund, \$7.2 million from various cash funds to support incurred Medicaid expenditures.

The Special Purpose General Fund receivable of \$15.0 million primarily includes \$3.3 million legislative

reversions and \$10.7 million in personal services and operating line item reversions, payable to the Legislative Department Cash Fund and State Employee Reserves Fund, respectively.

The Special Purpose General Fund receivable of \$16.9 million from the State Lottery primarily consists of a payable recorded by the Conservation Trust Fund for \$12.2 million, and in the Building Excellent Schools Today Grant Program in the amount of \$4.7 million.

The Labor Fund receivable of \$70.1 million from the General Purpose Revenue Fund includes \$70.0 million transferred into the Disaster Emergency Fund.

The Group Benefits Plan Fund receivable of \$24.0 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 State Lands Trust receivable of \$14.1 million represents the transfers from the Land Board into the Building Excellent Schools Today Grant Program in the amount of \$6.5 million and into the Public School Permanent Fund in the amount of \$6.5 million.

The Other Fiduciary Fund receivable of \$10.5 million was recorded by the State Treasurer for the Great Outdoors Colorado Fund. This is a statutory distribution of the Lottery net proceeds.



NOTE 34 – TRANSFERS BETWEEN FUNDS

Transfers between funds for the fiscal year ended June 30, 2014, were as follows:

		General Fund	Resource xtraction	Н	lighway Users Tax
TRANSFER-OUT FUND					
MAJOR FUNDS:					
General Fund:					
General Purpose	\$	3,167,113	\$ 30,000	\$	-
Special Purpose		65,914	-		-
Resource Extraction		84,157	-		-
Highway Users Tax	_	53,713	-		-
Capital Projects:					
Regular Capital Projects		-	-		500
Special Capital Projects		3	-		-
State Education		561	-		-
Higher Education Institutions		3,911	-		-
Unemployment		3,441	-		-
Lottery		57,268	-		-
NONMAJOR FUNDS:					
SPECIAL REVENUE FUNDS:					
Labor		29,453	605		-
Gaming		16,413	600		-
Tobacco Impact Mitigation		74,628	-		-
Resource Management		525	-		-
Environment and Health Protection		632,240	-		5,000
Unclaimed Property		2,717	-		-
Other Special Revenue		118,154	-		5,462
PERMANENT FUNDS:					
State Lands Trust Nonexpendable		1,167	-		-
State Lands Trust Expendable		102,378	-		-
Other Permanent Trust Nonexpendable		-	-		-
ENTERPRISE FUNDS:					
CollegeInvest		21	_		_
Wildlife		12,801	298		_
College Assist		60	_		-
State Fair		108	_		_
Correctional Industries		641	_		_
State Nursing Homes		1,815	_		_
Prison Canteens	_	80	_		_
Petroleum Storage		1,240			_
Other Enterprise		317	-		-
INTERNAL SERVICE FUNDS:					
Central Services		877	-		-
Information Technology		627	-		-
Capitol Complex		2,453	-		-
Public Safety		11	-		-
Administrative Courts		171	-		-
Legal Services		3,264	-		-
Other Internal Service		2,148	-		-
FIDUCIARY FUNDS:					
Group Benefit Plans		60	-		-
Other Fiduciary		101	-		-
TOTAL	\$	4,440,551	\$ 31,503	\$	10,962

(Amounts in Thousands)

TRANSFER-IN FUND

Capital Projects		State ducation	Е	Higher ducation stitutions	All Other Funds	TOTAL
\$ 325,566	\$	79,752	\$	143,129	\$ 160,073 62,141	\$ 3,905,633 128,055
507 1,500		-		3,730	22,594 171,838	110,988 227,051
- 1,493		- -		31,768 -	22,008 10,757	54,27 <i>6</i> 12,253
-		-		6,735	18,001	25,297
-		-		-	-	3,911 3,441
-		-		-	13,011	70,279
- 1,754		-		- 5,811	- 2,215	30,058 26,793
7,262		-		13,720	1,477	97,087
- 166		-		-	75 17,210	600 654,61
248	`	-		-	2,159 15,805	4,876 139,66
1,152		-		1,026	456 22	3,80
- -		-		108 -	7	102,50
-		-		-	<u>-</u>	2
- -		-		-	225 -	13,32 6
-		-		-	-	10
-		-		-	-	64 1,81
-		-		-	-	8
313 -		-		-	-	1,55 31
-		-		-	-	87
-		-		-	- 133	62 2,58
-		-		-	-	1
-		-		-	-	17
-		-		-	1,737 -	5,00 2,14
- -		-		-	- 52	6) 15:
\$ 339,961	\$	79,752	\$	206,027	\$ 521,996	\$ 5,630,75

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 (a Special Purpose General Fund) of \$2,985.3 million, and into the Higher Education Institutions of \$143.1 million (primarily for student financial aid, occupational education, and job training). Additionally, in Fiscal Year 2013-14, a portion of the General Fund Surplus was accrued in the amount of \$210.8 million and are comprised of the following: \$135.3 million to the Capital Projects Fund; \$34.5 million to the State Education Fund; \$30.0 million to the Resource Extraction Fund; \$1.0 million to the Economic Development Fund (a Special Purpose General Fund); and \$10.0 million to the Environment and Health Protection Fund (an Other Special Revenue Fund). On September 15, 2014, these transfers were distributed with the exception of the portion of capital construction funds related to controlled maintenance projects and a residual amount to the State Education Fund transfer which will be distributed at the completion of the State's Fiscal Year 2013-14 Comprehensive Annual Financial Report in December 2014.

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

Transfers-out from the General Purpose Revenue Fund include \$186.7 million to fund controlled maintenance and capital projects.

Transfers-out from the General Purpose Revenue Fund includes \$45.3 million to the State Education Fund.

Transfers-out from the General Purpose Revenue Fund to all other funds primarily includes \$15.4 million to support the Children's Basic Health Plan, \$11.7 million for deposit into the Correctional Treatment Cash Fund, \$7.7 million deposited into the Marijuana Cash Fund, \$15.0 million transferred into the Nutrients Cash Fund, and \$9.8 million transferred into the Wildfire Risk Reduction Fund. Also included is \$70.0 transferred to the Disaster Emergency Fund.

Transfers-out from the special-purpose funds within the General Fund primarily comprises \$58.9 million in transfers from the Public School Fund to the Charter School Institute Fund.

Transfers-out from the Special-Purpose Funds to All Other Funds primarily includes \$50.9 million authorized by the Governor through executive orders into the Disaster Emergency Fund to cover wildfire and flood expenditures.

The Resource Extraction transfer-out to the Special Purpose General Fund includes a \$73.1 million transfer

from the Mineral Leasing Fund to the State Public School Fund.

The Highway Users Tax Fund transfer-out to the General Purpose Revenue Fund includes \$41.7 million transferred to the Department of Revenue and \$9.1 million to the Department of Public Safety to support programs that generate revenue for or that provide services to the Highway Users Tax Fund.

The Highway Users Tax Fund transfer-out to All Other Funds includes \$169.8 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 \$52.0 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 \$24.4 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 \$71.2 million in transfers to the Department of Health Care Policy and Financing for the purchase of medical services.

The Environment and Health Protection transfer-out to the General Purpose Revenue Fund includes \$630.6 million in transfers to the Department of Health Care Policy and Financing primarily from the Hospital Provider Fee Cash Fund (\$575.5 million) and the Medicaid Nursing Facility Cash Fund (\$45.0 million).

Transfers from the Other Special Revenue to the General Purpose Revenue Fund also include approximately \$105.8 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 transfer.

The State Lands Trust Expendable transfer-out to the General Fund includes \$101.9 million for the State Public School Fund (a Special Purpose General Fund) related to distributions to school districts and charter schools.

NOTE 35 – 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 appreciation totaled \$11.2 million. The individually significant items are as follows:

The University of Colorado reported net appreciation on endowment investments of \$9.9 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 \$0.99 million of net appreciation on its donor-restricted endowments primarily held by its foundation that 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 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 36 – 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 2013-14, the following pledges were in place:

The Department of Transportation pledged \$167.3 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 13.0 percent of the total revenue stream, and \$463.6 million of the pledge commitment remains outstanding.

The Department of Transportation Statewide Bridge Enterprise pledged \$111.4 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 \$661.7 million of the pledge commitment remains outstanding.

The Department of Labor and Employment pledged \$374.9 million of Unemployment Insurance (UI) Premium collections to secure \$387.3 of principal and interest on debt issued to stabilize unemployment insurance rates. The debt was issued in Fiscal Year 2013-14, and has a final maturity date of Fiscal Year 2016-17. The pledged revenue represents 100 percent of the revenue stream, and \$387.3 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 2002-03 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 \$704.6 million. Individually significant Higher Education Institution pledges include:

- \$296.1 million pledged by the University of Colorado to secure \$120.9 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 will be issued in Fiscal Year 2014-15 and has a final maturity date of Fiscal Year 2042-43. The pledged revenue represents approximately 48.0 percent of the revenue stream, and \$2.3 billion of the pledge (principal and interest) remains outstanding.
- \$207.7 million pledged by Colorado State University to secure \$41.5 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 2007-08 and has a final maturity date of Fiscal Year 2044-45. The pledged revenue represents 100 percent of the total revenue stream, and \$1,165.0 billion of the pledge (principal and interest) remains outstanding.
- \$38.6 million pledged by the Colorado School of Mines to secure \$16.0 million of current principal and interest on debt issued to finance refunding of previous debt and for capital improvements. The related debt will be issued in Fiscal Year 2014-15 and has a final maturity date of Fiscal Year 2043-44. The pledged revenue represents approximately 81.0 percent of the total revenue stream and \$368.1 million of the pledge (principal and interest) remains outstanding.

- \$26.9 million pledged by Metropolitan State University 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 \$116.1 million of the pledge (principal and interest) remains outstanding.
- \$21.6million pledged by Colorado Mesa University
 to secure \$10.0 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 57.2 percent of the revenue
 stream and \$332.8 million of the pledge (principal
 and interest) remains outstanding.
- \$29.2 million pledged by the University of Northern Colorado to secure \$8.2 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 2007-08 and has a final maturity date of Fiscal Year 2039-40. The pledged revenue represents 34.8 percent of the total auxiliary and student fee revenue streams and also represents 10.0 percent of gross tuition revenues. \$223.3 million of the pledge (principal and interest) remains outstanding.
- \$18.2 million pledged by Colorado State University Pueblo to secure \$4.0 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 2007-08 and has a final maturity date of Fiscal Year 2043-44. The pledged revenue represents 100 percent of the revenue stream, and \$176.1 million of the pledge (principal and interest) remains outstanding.
- \$9.5 million pledged by the Fort Lewis College to secure \$4.3 million of current principal and interest on debt issued to finance construction new residence hall, expansion and renovation of the student center, and various energy conservation improvements. The related debt was originally issued in Fiscal Year 2007-08 and has a final maturity date of Fiscal Year 2037-38. The pledged revenue represents 40.9 percent of the revenue stream, and \$85.8 million of the pledge (principal and interest) remains outstanding.
- \$7.8 million pledged by the Western State Colorado University to secure \$6.0 million of current principal and interest on debt issued to finance a new student apartment complex and a new sports complex. The related debt was originally issued in Fiscal Year 2008-09 and has a final maturity date of Fiscal Year 2044-45. The pledged revenue represents 43.8 percent of the revenue stream, and \$194.3 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 Requirements							
Agency Name		Revenue		Expense	Revenue		Principal		Interest		Total		
Department of Transportation	\$	1,240,588	\$	(1,073,259)	\$ 167,329	\$	147,225	\$	20,104	\$	167,329		
Higher Education Institutions		1,170,939		(557,627)	613,312		94,581		138,121		232,702		
Labor - Unemployment Insurance		374,885		-	374,885		374,885		12,386		387,271		
Statewide Bridge Enterprise		111,365		-	111,365		-		18,234		18,234		
	\$	2,897,777	\$	(1,630,886)	\$ 1,266,891	\$	616,691	\$	188,845	\$	805,536		

NOTE 37 – 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-forprofit entity that performs the billing, collection, and disbursement functions for professional services provided by the University of Colorado Denver teaching hospital. 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 related party 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 the 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, 2014

JUNE 30, 2014									
		RSITY	AURARIA HIGHER						
	OF COL	ORADO	EDUCATION CENTER						
(DOLLARS IN THOUSANDS)	UNIVE	RSITY							
,		HYSICIANS		ARKING	STUDENT				
	INCORP	ORATED	FA	CILITIES	FA	CILITIES			
ASSETS: Current Assets	\$ 18	31,671	\$	11,229	\$	10,441			
Other Assets		71,795	•	5,027	*	48			
Capital Assets		15,166		46,138		24,928			
Total Assets	39	98,632		62,394		35,417			
LIABILITIES: Current Liabilities	2	15,905		3,299		4,362			
Noncurrent Liabilities		14,879		43,066		25,844			
Total Liabilities	- 6	0,784		46,365		30,206			
NET POSITION:	_					(0.0(4)			
Net Investment in Capital Assets Restricted for Permanent Endowments:	2	29,224		4,530		(2,361)			
Expendable		-		-		-			
Restricted Net Position Unrestricted	30	- 08,624		4,354 7,145		2,047 5,525			
Total Net Position		87,848	\$	16,029	\$	5,211			
Total Net 1 ostilon	Ψ 00	77,010	Ψ	10,027	Ψ	0,211			
CONDENSED STATEMENT OF REVENUES, I	EXPEN	SES,							
AND CHANGES IN NET POSITION									
FOR THE YEAR ENDED JUNE 30, 2014									
ODEDATING DEVENUES.									
OPERATING REVENUES: Tuition and Fees	\$	_	\$	_	\$	5,263			
Sales of Goods and Services		21,303		9,333		18,877			
Other		-		-		56			
Total Operating Revenues	- 62	21,303		9,333		24,196			
OPERATING EXPENSES:									
Depreciation Other	5.6	3,944 54,322		1,693 4,950		1,947 21,267			
Total Operating Expenses		8,266		6,643		23,214			
				.,					
OPERATING INCOME (LOSS)	5	3,037		2,690		982			
NONOPERATING REVENUES AND (EXPENSES):									
Investment Income		25,175		381		51			
Gifts and Donations Other Nonoperating Revenues	,	(9,889) 12		-		-			
Debt Service		(24)		(2,021)		(954)			
Other Nonoperating Expenses		-		-		-			
Total Nonoperating Revenues (Expenses)		15,274		(1,640)		(903)			
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:									
Transfers-In		-		-		-			
Total Contributions, Transfers, and Other		-		(1,094)		(1,456)			
CHANGE IN NET POSITION	6	8,311		(44)		(1,377)			
TOTAL NET POSITION - FISCAL YEAR BEGINNING RESTATED	26	9,536		16,073		6,588			
TOTAL NET POSITION - FISCAL YEAR ENDING	\$ 33	37,847	\$	16,029	\$	5,211			
CONDENSED STATEMENT OF CASH FLOWS	S								
FOR THE YEAR ENDED JUNE 30, 2014									
NET CASH DROWNED (USER) BV.		_							
NET CASH PROVIDED (USED) BY: Operating Activities	\$ 5	3,175	\$	4,233	\$	2,785			
Noncapital Financing Activities		(9,889)	•	(966)	•	(111)			
Capital and Related Financing Activities Investing Activities		(4,353) 38,711)		(17,866) 389		(2,133) 51			
NET INCREASE (DECR.) IN CASH AND POOLED CASH	(3	222				592			
CASH AND POOLED CASH, FISCAL YEAR BEGINNING	é	66,903		(14,210) 24,744		5,802			
CASH AND POOLED CASH, FISCAL YEAR ENDING		57,125	\$	10,533	\$	6,394			
CASH AND FOOLED CASH, FISCAL TEAK ENDING	φ	11,120	Φ	10,000	Ф	0,374			

NOTE 38 – COMPONENT UNITS

The State reports ten 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

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. It is authorized to issue bonds, notes, or other obligations which constitute its debt and not the debt of the State of Colorado. Its 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 \$7.9 million during 2013 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 2012-13, 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, 2012, the foundation distributed \$116.3 million of gifts and income to or for the benefit of the University of Colorado and other beneficiaries.

The Colorado State University Foundation is a not-forprofit 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 2012-13, the foundation transferred \$41.3 million to the University.

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

The University of Northern Colorado Foundation is a tax-exempt organization incorporated in 1996 to provide financial resource development and support to the University of Northern Colorado. The foundation's primary revenue is derived from contributions and investment income. During Fiscal Year 2012-13, the foundation granted \$0.9 million to the University. At June 30, 2013 the Foundation owed the University \$1.2 million.

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 continue to pay claims through 2014 and will cease operations by March 31, 2015. 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 earlystage 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 tenyear period. The related revenue is reported as Gifts and Donations on the Statement of Revenues, Expenses, and Changes in Net Position - 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, 2013, the VCA has contributed approximately \$25.1 million or 115 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, 2013, the VCA has contributed approximately \$7.8 million or 70 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 (now Metropolitan State University 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 MSU Denver. The facility includes a fully functioning hotel and learning laboratory for the University'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 University's unconditional guarantee. The hotel opened in August 2012.

NOTE 39 – RELATED PARTIES AND ORGANIZATIONS

University of Colorado Denver Anschutz Medical Campus enters into related-party transactions with the University of Colorado Hospital Authority (UCHA) under contracts that support the University's medical education mission. During Fiscal Year 2013-14, under these contracts, UCHA paid the University \$47.5 million and the University paid UCHA \$11 million. Not included in these amounts are \$0.7 million in reimbursements during the fiscal year made by UCHA to the University for salaries and benefits of state classified employees who work at UCHA, and for whom the University is responsible. At June 30, 2014 the University had accounts receivable from UCHA for \$2.9 million, and had accounts payable to UCHA for \$30,000.

The University of Colorado Health and Welfare Trust exists to provide healthcare benefits to employees of the

Trust members, who are the University of Colorado, the University of Colorado Hospital Authority and University Physicians, Inc. The Trust provides healthcare benefits on a self-insured basis where risks are transferred to the pool. The University is not financially accountable for the Trust. During Fiscal Year 2013-14 the Trust paid medical claims on behalf of the University of \$121. 7 million. The University contributed \$135.5 million to the Trust and its employees contributed \$16.1 million. At June 30, 2014 the University had accounts receivable from the Trust for \$302,000 and accounts payable to the Trust for \$396,000.

The Colorado State University – Pueblo Foundation was established to benefit Colorado State University Pueblo. The Foundation transferred \$1.9 million in cash and \$39,689 in in-kind assets to the University in Fiscal Year 2013-14. At June 30, 2014 the University had an account receivable from the Foundation for \$1.7 million.

The Adams State University Foundation provides scholarships and work-study grants to students, and program development grants to Adams State University. The Foundation provided \$1.2 million in scholarships, grants and operating expense reimbursements during Fiscal Year 2013-14.

The Colorado Mesa University Foundation provides financial assistance to Colorado Mesa University students and assists the University in serving educational needs. In Fiscal Year 2013-14, the Foundation awarded \$747,100 in scholarship funds directly to students. Also in Fiscal Year 2013-14, the Colorado Mesa University Real Estate Foundation donated \$4.4 million in property to the University. At June 30, 2014 Colorado Mesa University has an account receivable of \$96,280 with the Colorado Mesa University Foundation.

The Fort Lewis College Foundation exists to support Fort Lewis College. During Fiscal Year 2013-14 the Foundation funded \$1.0 million for scholarships and passed through \$1.3 million in grants for program support. At June 30, 2014 the Fort Lewis College Foundation owed the College \$210,823.

Metropolitan State University of Denver Foundation, Inc. was organized and is operated to promote the general welfare and development of Metropolitan State University of Denver. The foundation provided \$2.1 million of funding to the University in Fiscal Year 2013-14. The foundation also reimbursed the University \$186,469 for services provided by University employees. At June 30, 2014 the Foundation owed the University \$361,658 and the University owed the Foundation \$204,592.

Western State Colorado University Foundation was established to aid Western State Colorado University in fulfilling its educational mission. The Foundation

transferred \$3.9 million to the University in Fiscal Year 2013-14.

Most of the State's community colleges have established foundations to assist in their educational missions. With the exception of Community College of Aurora, Pueblo Community College and Red Rocks Community College, none of these foundations made annual transfers to their related community colleges in excess of \$500,000.

In Fiscal Year 2013-14 the Community College of Aurora Foundation provided grants and scholarships totaling \$404,913 to the Community College of Aurora, and the College reimbursed the Foundation for administrative salaries and other expenses totaling \$1.2 million.

The Pueblo Community College Foundation provided Pueblo Community College \$819,610 in the form of scholarships, grants, construction funds, program funding and discretionary funds. At June 30, 2014 the Foundation owed the Community College \$25,253.

The Red Rocks Community College Foundation provided \$588,632 to Red Rocks Community College. Of this amount, the Foundation provided \$316,723 for scholarships and \$169,047 in pass through grants from various private foundations. The remainder was given for various special programs teaching chair grants and operating expenses. At June 30, 2014 the Foundation owed the Community College \$55,969 and the Community College owed the foundation \$9,815.

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 2013-14, the board funded \$18.6 million of wildlife and parks programs at the Department of Natural Resources. The Division was also awarded \$162,000 in administrative costs. At June 30, 2014, GOCO owed the Department of Natural Resources \$5.4 million.

The Colorado Historical Foundation accepts gifts, grants, donations and endowments on behalf of History Colorado. Upon request, the Foundation transfers these funds to History Colorado where they are utilized for their intended purposes. At the end of Fiscal Year 2013-14, History Colorado had billed the Colorado Historical Foundation \$0.9 million and has an account receivable from the Foundation for that amount.

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

 The Colorado Housing and 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 four CHFA bonds with a face value of \$7.1 million as of June 30, 2014. The Department receives monthly payments from CHFA for all principal payments and interest collected by the Authority. On bond maturity dates ranging from 2025 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.
- 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 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, 2013, VCA's investments in Colorado Fund I and Colorado Fund II totaled \$24.1 million and \$18.1 million respectively.

NOTE 40 - SERVICE CONCESSION ARRANGEMENTS

The High Performance Transportation Enterprise (HPTE), a portion of the nonmajor Transportation Enterprise, entered into a 50 year concession agreement with Plenary Roads Denver (Plenary). Plenary will finance, design and construct US-36 Phase I and Phase II tolled and managed

lanes with completion expected in spring of 2015. As of June 30, 2014, construction in progress totaled \$94.4 million.

In March 2014, HPTE transferred the operations of the I-25 high occupancy toll (HOT) lanes to Plenary. Plenary has the right to collect 1-25 HOT lane tolls and the US-36 lanes tolls when those lanes are placed in service. For both the I-25 HOT and US-36 managed lanes, Plenary has the right to raise the toll rate, with approval of the HPTE Board. If the HPTE Board does not approve the requested rate, HPTE must compensate Plenary for the loss of revenue.

Upon completion of the US-36 lanes, Plenary will assume the obligation for HPTE's existing \$54.0 million loan secured through the Transportation Infrastructure Finance and Innovation Act. In addition, Plenary will be responsible to maintain the managed lanes.

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 \$60.1 million and \$1,218.9 million, respectively, which are related to purchase orders and long-term contracts for the construction of major capital projects and infrastructure.

NOTE 42 – UNUSUAL OR INFREQUENT TRANSACTIONS

The government-wide *Statement of Activities* shows Special and/or Extraordinary Items that comprise the following:

In Fiscal Year 2013-14, Board of Governors of the Colorado State University System, a portion of the major Higher Education Institutions proprietary fund, transferred assets related to its post employment Retiree Medial Premium Subsidy Insurance Plan into a qualifying trust. As a result, the amortization factor was reduced from 30 years to one year. The change in amortization factors resulted in a gain of \$22.2 million that is reported as a special item.

NOTE 43 – FINANCIAL GUARANTEES

In Fiscal Year 2010-11, Metropolitan State University of Denver's Board of Trustees approved the incorporation of a special purpose nonprofit corporation to be known as HLC@Metro, Inc. The HLC@Metro Inc., a discretely presented nonmajor component unit of the State, created the Hotel/Hospitality Learning Center (HLC) to enhance the University's Hospitality, Tourism, and Events department. The Metropolitan State University of Denver Roadrunner Recovery and Reinvestment Act Finance

Authority issued approximately \$55.0 million in revenue bonds on October 1, 2010, loaning the proceeds to HLC@Metro, Inc. to construct the HLC. The HLC generates revenue as a facility open the general public. Should HLC@Metro Inc. not fulfill its obligation to pay any and all principal and interest, the University is obligated to make the payment due. The guarantee remains in effect until there is no remaining outstanding balance on the 2010 bond issuance. As of June 30, 2014, no liability was recorded by the University as HLC@Metro Inc. was deemed fully capable of making its debt payments.

NOTE 44 – 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. 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. 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.

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 \$128.0 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 \$2.3 billion, of the \$9.3 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 \$79.8 million.

At June 30, 2014, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately \$276.7 million in the names of lottery or lotto prizewinners. The probability is remote that any of the sellers of these contracts will default, and thereby require the State to pay the annuity.

The Colorado Department of Revenue routinely has claims for refunds in various stages of administrative and legal review that could result in refunds. Individual claims in exceeding \$5.0 million include a claim for a refund of \$13.3 million income taxes. The Department of Revenue will vigorously defend this claim. The likelihood of an unfavorable outcome is uncertain.

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 \$7.48 billion are outstanding. Of this amount, \$2.1 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 \$6.0 million. The State has recorded a liability for the minimum amount of the potential damages range.

Many State agencies have grant and contract agreements with the federal government and other parties. These agreements generally provide for audits of the transactions pertaining to the agreements, with the State being liable to those parties for any disallowed expenditure. Individually significant disallowances are disclosed in the following paragraph.

The Department of Health Care Policy and Financing may be responsible for repaying the Centers for Medicare and Medicaid Services (CMS) approximately \$13.4 million in federal matching funds. CMS alleges that administrative costs related to out stationing eligibility functions at Denver Health were unallowable. The State is contesting this disallowance and the case is pending before the federal Department of Appeals Board. The likelihood of an unfavorable outcome is uncertain.

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 the surcharge and bonds unconstitutional. Approximately \$390 million has been collected in surcharges, in addition to the \$300 million bond issuance. On August 14, 2014, the Colorado Court of Appeals affirmed the earlier trial court's ruling in favor of the State. The TABOR Foundation has until September 25, 2014 to appeal. If the case proceeds to the Colorado Supreme Court, the Colorado Bridge Enterprise will vigorously defend claims. The State is unable to estimate the likelihood of an adverse outcome.

Colorado State University has received forty claims for damages related to a fire in July of 2011 in its Equine Reproduction Laboratory. The fire destroyed the building and property of approximately 175 clients stored at the facility. The trial court ruled that claims are not barred by the Colorado Governmental Immunity Act, and the Colorado Court of Appeals overruled the ruling of the trial court. Given the unique circumstances of each case, the likelihood of an unfavorable outcome is uncertain, with the potential loss ranging from \$650,000 to \$30.0 million.

The State believes it has a reasonable possibility of favorable outcomes for the actions discussed in this Note 44, 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 45 – SUBSEQUENT EVENTS

Primary Government

A. DEBT ISSUANCES AND REFUNDINGS

On July 1, 2014, the University of Northern Colorado entered into an agreement for \$19,960,000 with Wells Fargo Bank, National Association to continue holding 100 percent of the Series 2011B Bonds for another term of three years, ending June 30, 2017. The interest rate is 70 percent of the one-month London Interbank Offered Rate with a projected annual interest rate of 3.5 percent. The principal maturities remained the same as the original issue and continue through June 1, 2036.

On July 15, 2014, the State issued Education Loan Program Tax and Revenue Anticipation Notes (ETRAN), Series 2014A. The notes were issued with a premium of \$1,409,100, a coupon rate of 1.00 percent, and a true interest cost of 0.11 percent. The notes mature on June 29, 2015. The total due at maturity includes \$165.0 million in principal and \$1,576,667 in interest. By statute, interest on the notes is payable from the General Fund.

On July 22, 2014, the State issued General Fund Tax and Revenue Anticipation Notes (GTRAN), Series 2014A. The notes were issued with a premium of \$7,819,000, an average coupon rate of 1.80 percent, and a true interest cost of 0.11 percent. The notes mature on June 26, 2015. The total due on that date includes \$500 million in principal and \$8,350,000 in interest.

On August 21, 2014, the Board of Regents of the University issued \$203,485,000 of Tax-Exempt University Enterprise Revenue Bonds, Series 2014A and used the proceeds to defray a portion of the cost of financing certain capital improvement projects, and to pay certain costs related to the issuance. At the same time, the university issued \$100,440,000 of Tax-Exempt Refunding Revenue Bonds, Series 2014B, and used the proceeds to refund portions of prior obligations, and to pay certain costs related to the issuance. These special limited obligations are payable solely from the net revenues as defined. Series 2014A has rates ranging from 2 percent to 5 percent, and the bonds mature through June 1, 2046. Series 2104B has rates ranging from 1 percent to 5 percent, and the bonds mature through June 1, 2034.

B. OTHER

On July 28, 2014, under the provisions of Senate Bill 14-233, the State paid \$18.2 million related to 21 parties impacted by the North Fork fires. Additionally, since July 1, 2014 the State has settled claims beyond payments made under Senate Bill 12-233 totaling \$1.0 million.

Component Units

After its financial reporting year ended December 31, 2013 the Venture Capital Authority made equity investments totaling \$2.7 million in four entities. The Authority's share was \$2.6 million and the general partner's share was approximately \$0.1 million.

In July 2014, Funds I and II sold a portion of their combined investment in one entity for a total of \$14 million.

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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, 2014

(DOLLARS IN THOUSANDS)	ORIGINAL	FINAL SPENDING	ACTUAL	(OVER)/UNDER SPENDING
	APPROPRIATION	AUTHORITY	ACTUAL	AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			\$ 2,759,878	
Income Taxes			5,938,012	
Other Taxes			240,111	
Federal Grants and Contracts			11	
Sales and Services			513	
Interest Earnings			14,347	
Other Revenues			20,912	
Transfers-In			345,913	
OTAL REVENUES AND TRANSFERS-IN			9,319,697	
EXPENDITURES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	\$ 7,724	\$ 7,724	7,695	\$ 29
Corrections	664,149	683,537	673,879	9,658
Education	3,199,208	3,199,162	3,198,863	299
Governor	22,074	23,085	22,699	386
Health Care Policy and Financing	2,068,864	2,070,617	2,092,269	(21,652)
Higher Education	659,108	659,437	658,901	536
Human Services	714,794	722,386	709,575	12,811
Judicial Branch	383,079	387,197	384,531	2,666
Law	12,168	12,168	11,951	217
Legislative Branch	38,593	38,593	38,593	217
Local Affairs	17,699	17,711	14,737	2,974
Military and Veterans Affairs	7,379	7,374	7,083	291
Natural Resources	24,979		25,098	29
Personnel & Administration	16,233	25,127 31,430	12,056	19,374
Public Health and Environment				·
	53,444	55,186	53,137	2,049
Public Safety	97,434	168,572	165,270	3,302
Regulatory Agencies	1,703	1,703	1,698	5
Revenue	184,947	187,729	204,938	(17,209)
Treasury	141,047	241,934	241,902	32
Transfers Not Appropriated by Department	210,767	210,767	210,767	-
SUB-TOTAL OPERATING BUDGETS	8,525,492	8,751,538	8,735,691	15,847
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	-	1,470	398	1,072
Corrections	31,124	30,337	21,608	8,729
Education	569	1,422	111	1,311
Governor	20,558	6,687	4,551	2,136
Higher Education	188,649	133,034	43,824	89,210
Human Services	19,870	7,324	3,372	3,952
Military and Veterans Affairs	5,105	612	311	301
Personnel & Administration	8,959	21,716	11,594	10,122
Public Safety	7,995	805	23	782
Revenue	41,021	4,946	1,078	3,868
Transportation	500	500	500	-
Treasury	18,588	18,588	16,882	1,706
Budgets/Transfers Not Recorded by Department	186,715	186,715	186,715	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	529,653	414,156	290,967	123,189
FOTAL EXPENDITURES AND TRANSFERS-OUT	\$ 9,055,145	\$ 9,165,694	9,026,658	\$ 139,036

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

(UNDER) EXPENDITURES AND TRANSFERS-OUT

293,039

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, 2014

Sales and Other Excise Taxes 1746-1530	(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
Sales and Other Excise Taxes \$ 766,530 Other Taxes 1,240,560 Citter Taxes 507,321 Sales and Services 303,232 Tuttifion and Fees 2322,447 Sales and Services 303,232 Other Revenues 7,026,117 Transfers-In 507,201,107 OTAL REVENUES AND TRANSFERS-OUT: 800,000 COPPLICATION OF TRANSFERS AND T		APPROPRIATION	AUTHORITY	ACTUAL	AUTHORITY
Income Taxes 1,240,569 Tultion and Fees 507,251 Sales and Services 2,322,447 Interest Earnings 309,325 Other Revenues 2,880,099 Transfers-In 15,531,248 ZAPPATION TRANSFERS-IN 15,531,248 ZAPPATION TRANSFERS-SUT: 29,810,209 COPERING BUDGETS: 336,623 32,957 29,474 \$ 4,48 COPTEGION 1,949,931 102,012 19,066 7,66 COPTEGION 1,949,933 102,012 19,066 7,66 COPTEGION 1,949,933 1,92,012 19,066 7,66 COPTEGION 1,224,621 1,92,012 19,066 7,66 COPERIDO 1,224,621 1,92,014 1,90,000 16,522 Health Care Policy and Financing 1,024,621 1,923,401 1,400,500 222,969 Holpher Education 1,024,621 1,023,407 1,400,500 222,969 Human Services 4,002,17 380,501 339,44 41,007 Judicial Bran				ф 7 // F00	
Other Taxos 1,240,509 Sales and Services 50,251 Cales and Services 2,322,447 Interest Earnings 309,325 Other Revenues 2,880,209 Transfers-In 7,026,119 OTAL REVENUES AND TRANSFERS-IN 15,531,248 VERPENDITURES/EXPENSES AND TRANSFERS-OUT: Corrections 8,729 Operating Budgets: 8 Departmental: 33,623 32,957 29,474 5,488 Corrections 10,499 102,612 87,067 15,545 Education 422,828 453,161 286,639 166,529 Height Education 1,624,621 1,624,628 150,408 150,408 150,408 Human Services 400,221 380,501 389,401 410,000 222,796 Human Services 400,221 380,501 389,401 410,000 222,796 Human Services 400,221 380,501 389,401 410,000 222,796 410,000 222,798 410,000 222,798 422,828 45,					
Tultion and Fiees 507,251 Sales and Services 309,325 Other Revenues 2,886,209 Transfers-in 7,026,119 CORNAISTERS-IN CORNAISTERS-SERVENUES AND TRANSFERS-OUT: COPERATING Budgets: COPERATING Budgets: COPERATION BUDGETS Sale of Market Services COPERATION BUDGETS					

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

\$ 1,083,374

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, 2014

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION		FINAL SPENDING AUTHORITY		ACTUAL		(OVER)/UNDER SPENDING AUTHORITY	
REVENUES AND TRANSFERS-IN: Federal Grants and Contracts					\$	7,861,156		
TOTAL REVENUES AND TRANSFERS-IN					Ψ	7,861,156		
EXPENDITURES/EXPENSES AND TRANSFERS-OUT: Capital and Multi-Year Budgets: Departmental:								
Agriculture	\$	4,138	\$	8,844		4,548	\$	4,296
Corrections		3,370		7,425		5,369		2,056
Education	62	25,525		838,983		593,684		245,299
Governor		6,706		56,679		41,793		14,886
Health Care Policy and Financing	3.59	99,456	3	3,735,050		3,492,438		242,612
Higher Education		20,290		418,691		385,308		33,383
Human Services	64	19.523	1	1.734.112		1.462.811		271,301
Judicial Branch		9,825		19,542		11,834		7,708
Labor and Employment		7,293		426,460		313,332		113,128
Law		1.770		2,351		1,841		510
Local Affairs	6	9,956		173,551		69,141		104,410
Military and Veterans Affairs	21	4,440		22,940		13,471		9,469
Natural Resources	3	30,713		77,061		39,682		37,379
Personnel & Administration		-		812		599		213
Public Health and Environment	29	91,261		450,840		290,516		160,324
Public Safety	ϵ	55,131		378,504		178,830		199,674
Regulatory Agencies		1,324		10,061		3,248		6,813
Revenue		824		3,848		1,212		2,636
State		-		3,146		774		2,372
Transportation	54	18,525	1	1,126,905		757,263		369,642
Treasury		-		185,841		185,840		1
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	6,24	10,070	ç	9,681,646		7,853,534		1,828,112
 TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	\$ 6,24	10,070	\$ 9	9,681,646		7,853,534	\$	1,828,112

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

\$ 7,622



REQUIRED SUPPLEMENTARY INFORMATION RECONCILING SCHEDULE ALL BUDGET FUND TYPES TO ALL GAAP FUND TYPES FOR THE YEAR ENDED JUNE 30, 2014

(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 Cash Federal	\$ 8,988,915 5,241,553 6,100,498	\$ - 502,114 182,704	\$ - 1,860,118 742,749	\$ 330,781 141,543 10,198	\$ - 566,314	\$ - 2,915,362 182,749			
Sub-Total Revenues and Transfers-In	20,330,966	684,818	2,602,867	482,522	566,314	3,098,111			
Expenditures/Expenses and Transfers-Out General Funded Cash Funded Federally Funded Expenditures/Expenses and Transfers-Out	8,922,407 5,154,521 6,096,032 20,172,960	325,381 182,691 508,072	2,043,487 742,749 2,786,236	104,253 142,138 10,198 256,589	739,784 - 739,784	2,451,835 179,978 2,631,813			
Experiences/Expenses and Transfers-Out	20,172,700	300,072	2,700,230	230,307	737,704	2,031,013			
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis	158,006	176,746	(183,369)	225,933	(173,470)	466,298			
BUDGETARY BASIS ADJUSTMENTS: Increase/(Decrease) for Unrealized Gains/Losses Increase for Budgeted Non-GAAP Expenditures Increase/(Decrease) for GAAP Expenditures Not Budgeted Increase/(Decrease) for GAAP Revenue Adjustments Increase/(Decrease) for Non-Budgeted Funds	2,357 - 119,159 (125,528) 4	2,468 25,316 1,406 (1,327)	2,788 - 113,410 -	482 - (4,766) (2,180)	4,117 - - - -	446 7,002 72,754 (245,203)			
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis	153,998	204,609	(67,171)	219,469	(169,353)	301,297			
GAAP BASIS FUND BALANCES/NET POSITION:									
FUND BALANCE/NET POSITION, FISCAL YEAR BEGINNING Prior Period Adjustments (See Note 29A) Accounting Changes (See Note 29B)	799,105 - -	989,751 - 851	1,197,543	54,181 - -	1,257,167 - -	1,802,472 285			
FUND BALANCE/NET POSITION, FISCAL YEAR END	\$ 953,103	\$ 1,195,211	\$ 1,130,372	\$ 273,650	\$ 1,087,814	\$ 2,104,054			

	PRO					
HIGHER EDUCATION UNEMPLOYMENT NSTITUTIONS INSURANCE		STATE LOTTERY	OTHER ENTERPRISE FUNDS	INTERNAL SERVICE	FIDUCIARY FUND TYPES	TOTAL PRIMARY GOVERNMENT
\$ - 613,715 15,018	\$ - 757,987 195,367	\$ - 546,684 -	\$ - 487,540 431,056	\$ - 323,809 816	\$ - 1,574,507 -	\$ 9,319,696 15,531,246 7,861,155
628,733	953,354	546,684	918,596	324,625	1,574,507	32,712,097
- 604,515 30,036	- 561,796 195,367	546,722 -	380,858 415,670	342,420 816	- 1,154,417 -	9,026,660 14,447,874 7,853,537
634,551	757,163	546,722	796,528	343,236	1,154,417	31,328,071
(5,818)	196,191	(38)	122,068	(18,611)	420,090	1,384,026
36 - 20,410 - 307,283	- (11,816) - -	104 18 (802)	(1,709) 24,097 (26,795) (480)	147 4,913 33,078 1,009	525,473 - (18) - -	536,709 61,346 316,020 (373,709 307,287
321,911	184,375	(718)	117,181	20,536	945,545	2,231,679
5,296,037 (285) (26,677)	218,076 - (1,863)	3,792 - -	1,170,801 - (1,788)	17,548 1,434 (64)	5,169,990 - -	17,976,463 1,434 (29,541
5,590,986	\$ 400,588	\$ 3,074	\$ 1,286,194	\$ 39,454	\$ 6,115,535	\$ 20,180,03!

GENERAL FUND SURPLUS SCHEDULE

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 \$325.4 million of the GAAP General Fund balance of \$953.1 million on the *Balance Sheet – Governmental Funds*.

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

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

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 ending General Fund Surplus is reconciled to the General Purpose Revenue Fund fund balance on the *Combining Balance Sheet – General Fund Components*.

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 cashfunded 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, 2014

(DOLLARS IN THOUSANDS)	ORIGINAL ESTIMATE/	REVISED ESTIMATE/		REVERSIONS OF GENERAL FUND	EXCESS AUGMENTING REVENUE
	BUDGET	BUDGET	ACTUAL	APPROPRIATION	EARNED
REVENUES:					
Sales and Use Tax	\$ 2,527,200	\$ 2,614,600	\$ 2,666,090		
Other Excise Taxes Individual Income Tax, net	92,400 5,099,800	94,000 5,217,600	93,788 5,272,649		
Corporate Income Tax, net	677,700	711,300	665,363		
Estate Tax	-	-	434		
Insurance Tax	209,100	235,300	239,059		
Parimutuel, Courts, and Other	26,200	23,300	24,530		
Investment Income Gaming	16,100 14,100	22,100 10,800	12,886 11,820		
TOTAL GENERAL PURPOSE REVENUES	8,662,600	8,929,000	8,986,619		
ACTUAL BUDGET RECORDED AND EXPENDITURES:					
Agriculture	7,724	7,724	7,695	\$ 29	\$ -
Corrections	665,543	683,084	673,377	9,707	1
Education	3,055,216	3,153,843	3,153,543	300	528
Governor	19,513	23,067 2,069,422	22,782	285	596 52
Health Care Policy and Financing Higher Education	2,071,307 658,479	659,108	2,091,330 658,901	(21,908) 207	53
Human Services	696,786	717,347	704,974	12,373	3,282
Judicial Branch	378,170	387,198	384,532	2,666	41
Labor and Employment	<u> </u>	99	50	49	11
Law	13,473	12,169	11,951	218	49
Legislative Branch	38,416	38,593	38,593	- 170	255
Local Affairs Military and Veterans Affairs	15,058 7,379	17,710 7,379	17,532 7,084	178 295	15
Natural Resources	7,379 24,479	7,379 25,127	25,099	295	-
Personnel & Administration	9,154	31,441	31,408	33	606
Public Health and Environment	39,423	54,169	53,510	659	157
Public Safety	90,384	168,465	165,163	3,302	4,171
Regulatory Agencies	1,703	1,703	1,698	5	3
Revenue State	76,836	179,909	197,117	(17,208)	73 50
Treasury	129,271	218,699	218,667	32	38
TOTAL ACTUAL BUDGET AND EXPENDITURES	7,998,314	8,456,256	8,465,006	\$ (8,750)	\$ 9,981
ariance Between Actual and Estimated Budgets	204,783	19,944	-		
OTAL ESTIMATED BUDGET	8,203,097	8,476,200	8,465,006		
XCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	459,503	452,800	521,613		
EXCESS AUGMENTING REVENUES	,	,	9,981		
			7,701		
TRANSFERS (Not Appropriated By Department): Transfers-In From Various Cash Funds	2,400	2,400	2,296		
Transfers-Out To Various Cash Funds	(23,100)	(39,700)	(30,903)		
Transfer-Out to Capital Projects - General Fund	(186,200)	(186,200)	(186,215)		
Transfer-Out to Capital Projects - General Fund-Exempt Account	(500)	(500)	(500)		
Transfers-Out to the State Education Fund Per C.R.S. 24-75-220	(45,300)	(45,300)	(45,321)		
General Fund Surplus Transfers-Out Per C.R.S. 24-75-220	(143,600)	(120,600)	(210,767)		
OTAL TRANSFERS	(396,300)	(389,900)	(471,410)		
EXCESS REVENUES AND TRANSFERS OVER(UNDER)					
BUDGET BASIS EXPENDITURES	63,203	62,900	60,184		
BEGINNING GENERAL FUND SURPLUS	-	-	-		
Release of Prior Year Statutory Reserve (5.0%)	373,000	373,000	372,965		
Establish Current Year Statutory Reserve (5.0%)	(398,400)	(410,900)	(410,935)		
Release of Contractually Restricted Energy Performance Leases GAAP Revenues/(Expenditures) Not Budgeted			552 10,330		
Contractually Restricted Energy Performance Leases			(8,096)		
ENDING GENERAL FUND SURPLUS	\$ 37,803	\$ 25,000	25,000		
DJUSTMENTS TO BUDGETED REVENUE AND EXPENDITURES FOR GAAP GAAP Medicaid Expenditures Deferred to Fiscal Year 2014-15 for Budge GAAP Payroll Expenditures Deferred to Fiscal Year 2014-15 for Budget GAAP Information Technology Expenditures Deferred to Fiscal Year 20 GAAP Revenues Related to Deferred Medicaid Payroll and Medicaid Pro	et 14-15 for Budget		(144,142) (93,986) (976) 90,736		
·	5 <u></u>		70,730		
GAAP FUND BALANCE NOT AVAILABLE FOR GENERAL FUND SURPLUS: Fair Value of Investments in Excess of Cost			4.011		
Restricted			4,011 8,097		
Committed			249,248		
Assigned			25,732		
hortfall in GAAP Basis Statutory Reserve			161,687		
NDING GAAP GENERAL PURPOSE REVENUE FUND BALANCE			\$ 325,407		
INDING GAAC GENERAL FURFUSE REVENUE FUND BALANCE			ψ 323,407		

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 114 to 116). These schedules are presented in the budgetary fund structure discussed below. Higher Education Institution activities subject to limitations on the earning of cash revenue are included in these schedules. Starting in Fiscal Year 2011-12, legislation allowed governing boards of Higher Education Institutions to establish tuition amounts up to a 9 percent increase per student or per credit hour as compared to the prior year. Amounts above 9 percent require approval by the Colorado Commission on Higher Education. As a result, tuition and certain fees in the Long Appropriations Act became information-only appropriations. Therefore the Cash Funded Schedule excludes \$1.9 billion of tuition and fee appropriations designated as information-only and the related expenditures.

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 paid on a monthly basis 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 remain available in future years through action of the Transportation Commission. In Fiscal Year 2013-14, the Department of Transportation capitalized expenditures of \$480.6 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 generalgeneral-funded funded expenditures exceed the 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.

D. BUDGET TO GAAP RECONCILIATION

The Reconciling Schedule – All Budget Fund Types to All GAAP Fund Types (see page 118) shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (see pages 114 to 116) 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 related to loan activity and depreciation, are not budgeted by the General Assembly. In addition, certain General Purpose Revenue Fund payroll disbursements for employee time worked in June by employees paid on a monthly basis, June general-funded purchases of service from the Office of Information Technology, and 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. 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 Statements No 43, <u>Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans</u>, and 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.

In Fiscal Year 2013-14, Colorado State University transferred assets into a qualified trust for its RMPR, RMPS, URX and LTD plans.

Under the standards, 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 68 for additional information regarding the plans listed in the schedule.

				Actuarial				UAAL as a
			Actuarial	Accrued	Unfunded			Percentage of
		Actuarial	Value of	Liability	AAL	Funded	Covered	Covered
	Fiscal	Valuation	Assets	(AAL)	(UAAL)	Ratio	Payroll ¹	Payroll ¹
	Year	Date	(a)	(b)	(b - a)	(a/b)	(c)	((b-a)/c)
University	y of Colorado:							
Ornversity	2013-14	7/1/2012		\$ 406,782,000	\$ 406,782,000	0.0%	\$ 1,141,100,000	35.6%
	2012-13	7/1/2012	\$ _	\$ 406,782,000	\$ 406,782,000	0.0%	\$ 1,141,100,000	35.6%
	2011-12	7/1/2010	\$ _	\$ 343,144,000	\$ 343,144,000	0.0%	\$ 1,089,502,474	31.5%
	2010-11	7/1/2010	\$ _	\$ 343,144,000	\$ 343,144,000	0.0%	\$ 1,023,525,000	33.5%
	2009-10	7/1/2008	\$ _	\$ 196,714,735	\$ 196,714,735	0.0%	\$ 944,167,317	20.8%
	2008-09	7/1/2008	\$ -	\$ 196,714,735	\$ 196,714,735	0.0%	\$ 898,898,961	21.9%
Colorado	State Univers	sitv.						
RMPR	State Univers	sity.						
	2013-14	1/1/2014	\$ 36,329,003	\$ 34,013,693	\$ (2,315,310)	106.8%	\$ 285,017,218	-0.8%
	2012-13	7/1/2012	\$ -	\$ 31,062,884	\$ 31,062,884	0.0%	\$ 259,316,500	12.0%
	2011-12	1/1/2011	\$ -	\$ 28,917,402	\$ 28,917,405	0.0%	\$ 246,619,145	11.7%
	2010-11	1/1/2011	\$ -	\$ 28,917,402	\$ 28,917,402	0.0%	\$ 248,227,800	11.6%
	2009-10	1/1/2009	\$ -	\$ 25,187,719	\$ 25,187,719	0.0%	\$ 235,974,968	10.7%
RMPS								
	2013-14	1/1/2014	\$ 19,696,918	\$ 50,077,254	\$ 30,380,336	39.3%	N/A	N/A
	2012-13	7/1/2012	\$ -	\$ 45,849,293	\$ 45,849,293	0.0%	N/A	N/A
	2011-12	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
URX								
	2013-14	1/1/2014	\$ 497,968	\$ 2,840,945	\$ 2,342,977	17.5%	N/A	N/A
	2012-13	7/1/2012	\$ -	\$ 2,556,178	\$ 2,556,178	0.0%	N/A	N/A
	2011-12	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
	2009-10	1/1/2011	\$ -	\$ 2,822,691	\$ 2,822,691	0.0%	N/A	N/A
LTD								
	2013-14	1/1/2014	\$ 5,350,150	\$ 11,569,893	\$ 6,219,743	46.2%	N/A	N/A
	2012-13	7/1/2012	\$ -	\$ 15,465,978	\$ 15,465,978	0.0%	N/A	N/A
	2011-12	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
	2009-10	1/1/2011	\$ -	\$ 12,300,594	\$ 12,300,594	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.

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In Fiscal Year 2013-14, Colorado State University transferred assets into a qualified trust for its RMPR, RMPS, URX and LTD plans. The Statement of Net Assets, Statement of Changes in Plan Net Assets, and Schedule of Employer Contributions follow.

	RMPR	RMPS	URX	LTD					
STATEMENT OF PLAN NET ASSET Assets:	-s								
Cash and Pooled Cash Liabilities:	\$ 36,329,003	\$ 19,696,918	\$497,968 -	\$ 5,350,150 -					
Plan Net Assets Held in Trust	\$ 36,329,003	\$ 19,696,918	\$497,968	\$ 5,350,150					
STATEMENT OF CHANGES IN PLA Additions:	AN NET ASSETS								
Contributions from Employers Deductions:	36,329,003	19,696,918 -	497,968 -	5,350,150 -					
Plan Net Assets Held in Trust	\$ 36,329,003	\$ 19,696,918	\$497,968	\$ 5,350,150					
SCHEDULE OF EMPLOYER CONTRIBUTIONS									
Annual Required Contriubtion	\$ 35,809,410	\$ 4,188,504	\$ 207,001	\$ 1,337,935					
Percent Contributed	103.3%	500.5%	273.1%	470.3%					