

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, the portion of Base Rent paid by the State which is designated and paid as interest on the Series 2012H Certificates is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Under existing Colorado statutes, the interest received by the Owners of the Series 2012H Certificates with respect to their undivided interests in the Base Rent that is designated and paid as interest under the Leases is exempt from State of Colorado income tax. Bond Counsel expresses no opinion regarding other tax consequences related to the ownership or disposition of Series 2012H Certificates. See "TAX MATTERS" herein.



**\$195,965,000**  
**STATE OF COLORADO**  
**BUILDING EXCELLENT SCHOOLS TODAY**  
**CERTIFICATES OF PARTICIPATION**  
**TAX-EXEMPT SERIES 2012H**

Dated: Date of Delivery

Due: March 15, as shown on the inside cover

The Series 2012H Certificates are being executed and delivered as fully registered certificates in denominations of \$5,000, or any integral multiple thereof. The Series 2012H Certificates bear interest at the rates set forth herein, payable on September 15, 2013, and semiannually thereafter on March 15 and September 15 of each year, to and including the maturity dates shown on the inside cover hereof (unless the Series 2012H Certificates are redeemed earlier) by check or draft mailed to the registered owner of the Series 2012H Certificates, initially Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), securities depository for the Series 2012H Certificates.

DTC initially will act as securities depository for the Series 2012H Certificates. Individual purchases will be made in book-entry form only. Purchasers of the Series 2012H Certificates will not receive physical delivery of certificates, all as more fully described herein. Payments on the Series 2012H Certificates will be made by the Trustee, as paying agent, to DTC for disbursements to its participants for subsequent disbursement to the beneficial owners of the Series 2012H Certificates, as more fully described herein. *Capitalized terms used but not defined on this cover page have the meanings assigned to them in the Glossary included in the form of 2012H Supplemental Indenture attached as Appendix B to this Official Statement.*

**Maturity and interest rate information for the Series 2012H Certificates is located on the inside cover page of this Official Statement.**

The Series 2012H Certificates will be executed and delivered by Zions First National Bank, Denver, Colorado, as trustee (the "Trustee") pursuant to and secured by a Master Trust Indenture (the "Master Indenture") dated as of August 12, 2009 as supplemented and amended by a Series 2009A Supplemental Trust Indenture, dated as of August 12, 2009 (the "2009A Supplemental Indenture"), a Series 2010B-C Supplemental Trust Indenture (the "2010B-C Supplemental Indenture"), dated as of March 16, 2010, a Series 2010D-F Supplemental Trust Indenture (the "2010D-F Supplemental Trust Indenture") dated as of December 16, 2010, a Series 2011G Supplemental Trust Indenture (the "2011G Supplemental Trust Indenture"), dated as of December 8, 2011, an October 2012 Supplemental Trust Indenture (the "October 2012 Supplemental Indenture") dated as of October 31, 2012, and a Series 2012H Supplemental Trust Indenture, dated as of the delivery of the Series 2012H Certificates (the "2012H Supplemental Indenture"). (The Master Indenture, as supplemented by the 2009A Supplemental Indenture, the Series 2010B-C Supplemental Indenture, the 2010D-F Supplemental Indenture, the 2011G Supplemental Indenture, the October 2012 Supplemental Indenture and the Series 2012H Indenture and as further supplemented and amended from time to time, is referred to as the "Indenture"). The Series 2012H Certificates are not the only Certificates to be executed and delivered pursuant to the Indenture. The Series 2009A Certificates, the Series 2010B-C Certificates, the Series 2010D-F Certificates and the Series 2011G Certificates have been previously executed and delivered pursuant to the Indenture. The Series 2009A Certificates, the Series 2010B-C Certificates, the Series 2010D-F Certificates, the Series 2011G Certificates, the Series 2012H Certificates and additional series of certificates executed and delivered in the future pursuant to the Indenture (collectively, the "Certificates") will be paid and secured on a parity basis and will evidence undivided interests in the right to certain payments by the State under the annually renewable Series 2009A Lease Purchase Agreement dated August 12, 2009 (the "2009A Lease"), the Series 2010B-C Lease Purchase Agreement dated March 16, 2010 (the "2010B-C Lease"), the Series 2010D-F Lease Purchase Agreement dated as of December 16, 2010 (the "2010D-F Lease"), the Series 2011G Lease Purchase Agreement dated as of December 8, 2011 (the "2011G Lease"), the Series 2012H Lease Purchase Agreement dated as of the date of delivery of the 2012H Certificates (the "2012H Lease") and other annually renewable lease-purchase agreements to be entered into in the future between the Trustee, as lessor, and the State of Colorado, acting by and through the State Treasurer (the "State"), as lessee. (The 2009A Lease, the 2010B-C Lease, the 2010D-F Lease, the 2011G Lease, the 2012H Lease and such other annually renewable lease-purchase agreements, collectively, are referred to as the "Leases"). Pursuant to applicable statutes, the State will pay Rent under the Leases, subject to the terms of the Leases, from moneys in the Public School Capital Construction Assistance Fund (the "Assistance Fund"). In accordance with such statutes, the Assistance Fund is funded from revenues received by the State from: (i) a portion of rental income and royalties derived from State school lands; (ii) a portion of the State lottery proceeds; (iii) payments of Matching Moneys from certain K-12 public school institutions, including charter schools, for which the projects are financed; and (iv) if the amount in the Assistance Fund is insufficient to pay the full amount of the payments due to be made under the Leases, any moneys that the Colorado General Assembly transfers to the Assistance Fund from any other legally available sources, including the State General Fund.

The net proceeds of the Certificates have been and will be used to pay the costs of projects for K-12 public school institutions (the "Participating K-12 Institutions") that are reviewed, prioritized and recommended by the Public School Capital Construction Assistance Board (the "Assistance Board") for approval by the State Board of Education (the "State Board"), to pay the costs of issuance of the Certificates and to make deposits to funds and accounts held by the Trustee under the Indenture. The net proceeds of the Series 2012H Certificates will be used to pay the costs of certain projects approved by the State Board (the "Series 2012H Projects") for certain Participating K-12 Institutions as further described herein (the "Series 2012H Participating K-12 Institutions"), to make a deposit to the State Expense Fund and to pay the costs of issuance of the Series 2012H Certificates.

Upon the occurrence of an Event of Default or Event of Nonappropriation under any Lease, the Trustee will be entitled to exercise certain remedies with respect to the Leased Property that the State has leased from the Trustee pursuant to the Leases, subject to the terms of the Leases and the Indenture. The Leased Property will consist of the land and the buildings, structures and improvements now or hereafter located on such land that Participating K-12 Institutions (or, in the case of some charter schools, the chartering entities) have leased to the Trustee pursuant to Site Leases, the Trustee has leased to the State pursuant to a Lease and the State has subleased the same to the relevant Participating K-12 Institutions pursuant to Subleases. The Leased Property subject to the 2012H Lease is referred to as the "2012H Leased Property" and is further described herein.

*The Series 2012H Certificates are subject to redemption prior to their stated maturity date, as more fully described herein.*

**Payment of Rent and all other payments by the State shall constitute currently appropriated expenditures of the State and may be paid solely from legally available moneys in the Assistance Fund, including any moneys appropriated or transferred by the Colorado General Assembly to the Assistance Fund from any legally available source if the amount of money in the Assistance Fund that is available to pay Rent will be insufficient to cover the full amount of Rent. All obligations of the State under the Leases shall be subject to the action of the Colorado General Assembly in annually making moneys available for payments thereunder. The obligations of the State to pay Rent and all other obligations of the State under the Leases are subject to appropriation by the Colorado General Assembly in its sole discretion, and shall not be deemed or construed as creating an indebtedness of the State within the meaning of any provision of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness of the State and shall not constitute a multiple fiscal year direct or indirect debt or other financial obligation of the State within the meaning of Section 3 of Article XI or Section 20(4) of Article X of the State Constitution or any other limitation or provision of the State Constitution, State statutes or other State law. In the event the State does not renew any Lease, the sole security available to the Trustee, as lessor under the Leases, shall be the Leased Property leased under the Leases, subject to the terms of the Leases.**

The Certificates evidence undivided interests in the right to receive Lease Revenues and shall be payable solely from the Trust Estate. No provision of the Certificates, the Indenture, any Lease, any Site Lease, any Sublease, any Participation Agreement, any obligation to pay Matching Moneys or any other document or instrument shall be construed or interpreted: (i) to directly or indirectly obligate the State to make any payment in any Fiscal Year in excess of amounts appropriated by the Colorado General Assembly for Rent for such Fiscal Year; (ii) as creating a debt or multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the State within the meaning of Section 3 of Article XI or Section 20 of Article X of the State Constitution or any other limitation or provision of the State Constitution, State statutes or other State law; (iii) as a delegation of governmental powers by the State; (iv) as a loan or pledge of the credit or faith of the State or as creating any responsibility by the State for any debt or liability of any person, company or corporation within the meaning of Section 1 of Article XI of the State Constitution; or (v) as a donation or grant by the State to, or in aid of, any person, company or corporation within the meaning of Section 2 of Article XI of the State Constitution.

*This cover page contains certain information for quick reference only. It is not a summary of the transaction. Each prospective investor should read this Official Statement in its entirety to obtain information essential to making an informed investment decision and should give particular attention to the section entitled "CERTAIN RISK FACTORS."*

The Series 2012H Certificates are offered when, as and if delivered, subject to the approving opinion of Kutak Rock LLP, Denver, Colorado, as Bond Counsel, and certain other conditions. Sherman & Howard L.L.C. has acted as counsel to the State in connection with the preparation of this Official Statement. Certain legal matters will be passed upon for the State by the office of the Attorney General of the State, as counsel to the State. Hogan Lovells US LLP, Denver, Colorado, has acted as counsel to the Underwriters. Piper Jaffray & Co., Denver, Colorado, and First Southwest, Greenwood Village, Colorado, have acted as co-financial advisors to the State in connection with the offering and execution and delivery of the Series 2012H Certificates. It is expected that the Series 2012H Certificates will be executed and available for delivery through the facilities of DTC, on or about December 6, 2012.

**RBC Capital Markets**

**D.A. Davidson & Co.**

**George K. Baum & Company**

**Stifel Nicolaus**

Dated: November 27, 2012

**MATURITY SCHEDULE**  
**(CUSIP<sup>®</sup> 6-digit issuer number: 19668Q)<sup>(1)</sup>**

**\$195,965,000**  
**STATE OF COLORADO**  
**BUILDING EXCELLENT SCHOOLS TODAY**  
**CERTIFICATES OF PARTICIPATION**  
**TAX-EXEMPT SERIES 2012H**

<u>Maturing (March 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP<sup>®</sup></u>	<u>Maturing (March 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP<sup>®</sup></u>
2014	\$1,810,000	2.00%	0.480%	FJ9	2022	\$2,850,000	4.00%	1.860%	GK5
2015	1,780,000	2.00	0.570	FK6	2023	5,005,000	4.00	2.090 <sup>(2)</sup>	FT7
2015	2,000,000	4.00	0.570	GE9	2024	2,500,000	2.25	2.250	FU4
2016	1,895,000	2.00	0.750	FL4	2024	2,705,000	4.00	2.250 <sup>(2)</sup>	GL3
2016	2,000,000	4.00	0.750	GF6	2025	5,365,000	4.00	2.360 <sup>(2)</sup>	FV2
2017	2,005,000	2.00	0.840	FM2	2026	2,000,000	2.50	2.500	FW0
2017	2,000,000	4.00	0.840	GG4	2026	3,580,000	4.00	2.500 <sup>(2)</sup>	GM1
2018	2,125,000	2.00	1.040	FN0	2027	5,770,000	4.00	2.590 <sup>(2)</sup>	FX8
2018	2,000,000	4.00	1.040	GH2	2028	6,000,000	4.00	2.660 <sup>(2)</sup>	FY6
2019	4,245,000	5.00	1.180	FP5	2029	6,240,000	4.00	2.720 <sup>(2)</sup>	FZ3
2020	650,000	2.00	1.420	FQ3	2030	6,485,000	4.00	2.780 <sup>(2)</sup>	GA7
2020	3,805,000	4.00	1.420	GJ8	2031	6,745,000	4.00	2.840 <sup>(2)</sup>	GB5
2021	4,620,000	5.00	1.610	FR1	2032	7,010,000	4.00	2.900 <sup>(2)</sup>	GC3
2022	2,000,000	2.00	1.860	FS9					

\$100,775,000 3.250% Term Certificate due March 15, 2035, Yield: 3.350% CUSIP: 19668QGD1

(1) CUSIP numbers have been assigned by an independent company not affiliated with the State and are included on this cover page solely for the convenience of the Owners of the Series 2012H Certificates. Neither the Underwriters nor the State makes any representation with respect to the accuracy of such CUSIP numbers as indicated in the above tables or undertakes any responsibility for the selection of the CUSIP numbers or their respective accuracy now or at any time in the future.

(2) Priced to the first par call on March 15, 2022.

## USE OF INFORMATION IN THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page and the Appendices, does not constitute an offer to sell or the solicitation of an offer to buy any of the Series 2012H Certificates in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale. No dealer, salesperson, or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Series 2012H Certificates, and if given or made, such information or representations must not be relied upon as having been authorized by the State of Colorado or the Underwriters.

The information set forth in this Official Statement has been obtained from the State, from the sources referenced throughout this Official Statement and from other sources believed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of information received from parties other than the State. In accordance with, and as part of, their responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, the Underwriters have reviewed the information in this Official Statement but do not guarantee its accuracy or completeness. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized.

The information, estimates, and expressions of opinion contained in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Series 2012H Certificates shall, under any circumstances, create any implication that there has been no change in the affairs of the State or in the information, estimates, or opinions set forth herein, since the date of this Official Statement.

The Trustee has not participated in the preparation of this Official Statement or any other disclosure documents relating to the Series 2012H Certificates and does not have or assume any responsibility as to the accuracy or completeness of any information contained in this Official Statement or any other such disclosure documents.

This Official Statement has been prepared only in connection with the original offering of the Series 2012H Certificates and may not be reproduced or used in whole or in part for any other purpose.

The Series 2012H Certificates have not been registered with the Securities and Exchange Commission due to certain exemptions contained in the Securities Act of 1933, as amended. In making an investment decision, investors must rely on their own examination of the State, the Series 2012H Certificates and the terms of the offering, including the merits and risks involved. The Series 2012H Certificates have not been recommended by any federal or state securities commission or regulatory authority, and the foregoing authorities have neither reviewed nor confirmed the accuracy of this document.

THE PRICES AT WHICH THE SERIES 2012H CERTIFICATES ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN ORDER TO FACILITATE DISTRIBUTION OF THE SERIES 2012H CERTIFICATES, THE UNDERWRITERS MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE SERIES 2012H CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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CAUTIONARY STATEMENTS  
REGARDING  
PROJECTIONS, ESTIMATES AND  
OTHER  
FORWARD-LOOKING STATEMENTS IN  
THIS OFFICIAL STATEMENT

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This Official Statement, including but not limited to the material set forth under “STATE FINANCIAL INFORMATION,” “DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS,” “LITIGATION AND SOVEREIGN IMMUNITY” and in **Appendices E, F and I** contains statements relating to future results that are “forward-looking statements.” When used in this Official Statement, the words “estimates,” “intends,” “expects,” “believes,” “anticipates,” “plans,” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop the forward-looking statements will not be realized and unanticipated events and circumstances will occur. Therefore, it can be expected that there will be differences between forward-looking statements and actual results, and those differences may be material. The State does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations change or events, conditions or circumstances on which these statements are based occur.

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## OFFICIAL STATEMENT

**\$195,965,000**

**STATE OF COLORADO  
BUILDING EXCELLENT SCHOOLS TODAY  
CERTIFICATES OF PARTICIPATION  
TAX-EXEMPT SERIES 2012H**

### INTRODUCTION

This Official Statement, including its cover page, inside front cover and appendices, provides information in connection with the delivery and sale of State of Colorado Building Excellent Schools Today Certificates of Participation, Tax-Exempt Series 2012H (the “**Series 2012H Certificates**”). The Series 2012H Certificates are being executed and delivered by Zions First National Bank, Denver, Colorado, as trustee (the “**Trustee**”) pursuant to a Master Trust Indenture, dated as of August 12, 2009 (the “**Master Indenture**”) as supplemented and amended by a Series 2009A Supplemental Indenture, dated as of August 12, 2009 (the “**2009A Supplemental Indenture**”), a Series 2010B-C Supplemental Trust Indenture, dated as of March 16, 2010 (the “**2010B-C Supplemental Indenture**”), a Series 2010D-F Supplemental Trust Indenture, dated as of December 16, 2010 (the “**2010D-F Supplemental Indenture**”), a Series 2011G Supplemental Trust Indenture dated as of December 8, 2011 (the “**2011G Supplemental Indenture**”), an October 2012 Supplemental Trust Indenture, dated as of October 31, 2012 (the “**October 2012 Supplemental Indenture**”) and a Series 2012H Supplemental Trust Indenture dated as of the date of delivery of the Series 2012H Certificates (the “**2012H Supplemental Indenture**”). (The Master Indenture, as supplemented and amended by the 2009A Supplemental Indenture, 2010B-C Supplemental Indenture, 2010D-F Supplemental Indenture, 2011G Supplemental Indenture, October 2012 Supplemental Indenture, 2012H Supplemental Indenture and as further supplemented and amended from time-to-time, is referred to as the “**Indenture**”). The Series 2012H Certificates are not the only Series of Certificates (as defined in the forms of Master Indenture and 2012H Supplemental Indenture attached hereto in **Appendix B**) to be executed and delivered pursuant to the Indenture. The (a) State of Colorado Building Excellent Schools Today Certificates of Participation, Qualified School Construction Series 2009A (the “**Series 2009A Certificates**”) in the original aggregate principal amount of \$87,145,000; (b) State of Colorado Building Excellent Schools Today Certificates of Participation, Taxable Build America Series 2010B (the “**Series 2010B Certificates**”) in the original aggregate principal amount of \$85,715,000; (c) State of Colorado Building Excellent Schools Today Certificates of Participation, Tax-Exempt Series 2010C (the “**Series 2010C Certificates**”) in the original aggregate principal amount of \$13,970,000; (d) State of Colorado Building Excellent Schools Today Certificates of Participation, Taxable Qualified School Construction Series 2010D (the “**Series 2010D Certificates**”) in the original aggregate principal of amount of \$95,690,000; (e) State of Colorado Building Excellent Schools Today Certificates of Participation, Taxable Build America Series 2010E (the “**Series 2010E Certificates**”) in the original aggregate principal amount of \$119,840,000; (f) State of Colorado Building Excellent Schools Today Certificates of Participation, Tax-Exempt Series 2010F (the “**Series 2010F Certificates**”) in the original aggregate principal amount of \$2,000,000; and (g) State of Colorado Building Excellent Schools Today Certificates of Participation, Tax-Exempt Series 2011G (the “**Series 2011G Certificates**”) in the original aggregate principal amount of \$146,635,000 have been previously executed and delivered pursuant to the Indenture. The Series 2009A Certificates, the Series 2010B Certificates, the Series 2010C Certificates, the Series 2010D Certificates, the Series 2010E Certificates, the Series 2010F Certificates and the Series 2011G Certificates are collectively referred to herein as the “**Prior Certificates**”). The Prior Certificates are currently outstanding in the aggregate principal amount of \$517,250,000. The Prior Certificates and the Series 2012H Certificates and additional Series of Certificates executed and delivered in the future pursuant to the Indenture (collectively, the

“**Certificates**”) will be paid and secured on a parity basis and will evidence undivided interests in the right to certain payments by the State under the annually renewable Series 2009A Lease Purchase Agreement, dated as of August 12, 2009 (the “**2009A Lease**”), the Series 2010B-C Lease Purchase Agreement dated as of March 16, 2010 (the “**2010B-C Lease**”), the Series 2010D-F Lease Purchase Agreement dated as of December 16, 2010 (the “**2010D-F Lease**”), the Series 2011G Lease Purchase Agreement dated as of December 8, 2011 (the “**2011G Lease**”), the Series 2012H Lease Purchase Agreement dated as of the date of delivery of the Series 2012H Certificates (the “**2012H Lease**”) and other annually renewable lease-purchase agreements to be entered into in the future between the Trustee, as lessor, and the State of Colorado (the “**State**”), acting by and through the State Treasurer (the “**State Treasurer**”), as lessee. The 2009A Lease, the 2010B-C Lease, the 2010D-F Lease and the 2011G Lease are collectively referred to herein as the “**Prior Leases.**” The Prior Leases, the 2012H Lease and such other annually renewable lease-purchase agreements are collectively referred to as the “**Leases.**” Capitalized terms used herein and not otherwise defined have the meanings assigned to them in the Glossary attached in the form of the 2012H Supplemental Indenture attached as **Appendix B** hereto.

*This introduction is not a summary of this Official Statement. It is only a summary description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Series 2012H Certificates to potential investors is made only by means of the entire Official Statement.*

### **Authority for Delivery**

The Series 2012H Certificates are being delivered pursuant to the Indenture, certain provisions of the Internal Revenue Code of 1986, as amended (the “**Code**”) described herein and under authority granted by the laws of the State, including certain statutes further described herein. Pursuant to House Bill 08-1335 and Senate Bill 09-257, each codified in part by Article 43.7 of Title 22, Colorado Revised Statutes, as amended (the “**Act**”), the General Assembly has created the Public School Capital Construction Assistance Board (the “**Assistance Board**”) within the State Department of Education (the “**Department**”) and provided that the Assistance Board may authorize the execution by the State Treasurer of lease-purchase agreements and related instruments in order to fund the costs of certain capital construction projects (the “**Projects**”) that are reviewed, prioritized and recommended by the Assistance Board for approval by the State Board of Education (the “**State Board**”) for school districts, boards of cooperative services, charter schools or the Colorado School for the Deaf and Blind in the State, to pay the costs of issuance of the Certificates and to make deposits to funds and accounts held by the Trustee under the Indenture. The 2012H Lease is being entered by the State in order to fund certain Projects approved by the State Board on November 14, 2012 (the “**2012 State Board Approval**”) as described in “The Series 2012H Projects” under this caption for the Series 2012H Participating K-12 Institutions in accordance with the Act. See “The Program” and “The Series 2012H Participating K-12 Institutions” under this caption. See also “PLAN OF FINANCING – The Program” for further information about the Act.

### **The Assistance Fund**

The Series 2012H Certificates will be payable solely from amounts annually appropriated by the Colorado General Assembly to make payments under the Leases, as described in “Sources of Payment for the Series 2012H Certificates” under this caption. The Act requires that, to the extent appropriated, such payments by the State be made from the Public School Capital Construction Assistance Fund (the “**Assistance Fund**”). In accordance with the Act, the Assistance Fund will be partially funded from a portion of rental income and royalties derived from State school lands, from Matching Moneys (as defined below), a portion of State lottery proceeds, and if the amount in the Assistance Fund is

insufficient to pay the full amount due to be made under the Leases, any moneys that the Colorado General Assembly transfers from any other legally available sources, including the State General Fund. The Act provides that matching moneys paid to the State by the Series 2012H Participating K-12 Institutions and other Participating K-12 Institutions in amounts approved by the State Board (“**Matching Moneys**”) as a condition to the financial assistance provided to Participating K-12 Institutions are to be deposited in the Assistance Fund. The obligation, if any, of a Series 2012H Participating K-12 Institution to pay Matching Moneys to the State will be satisfied by (a) cash delivered at the time the Series 2012H Certificates are delivered or (b) a bond issued by a Series 2012H Participating K-12 Institution or its chartering entity and delivered to the State (a “**Matching Moneys Bond**”). **Matching Moneys and other amounts deposited in the Assistance Fund do not directly secure payment of the Series 2012H Certificates. Once Matching Moneys are deposited in the Assistance Fund, such amounts are available to be appropriated by the State to pay principal and interest on the Certificates or for other purposes permitted by the Act, including, without limitation, defraying the cost of Projects. See Appendix F for a description of the Assistance Fund.**

**Investors should closely review the financial and other information included in this Official Statement regarding the State, including the Assistance Fund and the State General Fund, to evaluate any risks of nonappropriation by the Colorado General Assembly. See “STATE FINANCIAL INFORMATION” and Appendices A, E, F, G and I hereto.**

## **The Program**

The Colorado General Assembly has established the Building Excellent Schools Today Program (the “**Program**”) in order to implement the Act. The Program has been designed to provide funds to rebuild, repair or replace the State’s most dangerous and necessary K-12 facilities for the most needy institutions and leverage such financial assistance through local matching contributions from such institutions. Schools and projects for funding are evaluated by the Assistance Board through an ongoing application process supplemented by a statewide needs assessment and site visits. Projects are prioritized by the Assistance Board based on the following criteria, in descending order of importance: (1) projects addressing health, safety and security; (2) projects to relieve overcrowding; (3) projects that incorporate technology into the educational environment; and (4) all other projects. The Assistance Board’s review results in a prioritized list of projects to be submitted to the State Board for final approval.

The 2012H Lease is being entered into by the State in order to fund certain Projects as further described in “The Series 2012H Projects” under this caption (the “**Series 2012H Projects**”). The Master Indenture permits the execution of other Leases or amendments to the Leases and the execution and delivery of additional Series of Certificates under the Master Indenture, in order to fund additional Projects under the Program. See “THE SERIES 2012H CERTIFICATES – Additional Series of Certificates.” The Prior Certificates have been previously executed and delivered pursuant to the Indenture in order to fund certain projects as further described under “SECURITY AND SOURCES OF PAYMENT – The Leased Property” and are paid and secured on parity with the Series 2012H Certificates and any future Certificates executed and delivered pursuant to the Master Indenture. The State could choose to fund future Projects through certificates of participation which would not be issued pursuant to the Master Indenture. In such case, the related leased property would not secure the Series 2012H Certificates.

The execution by the State of future Leases for additional Projects would require authorization by the State Board for any Projects not approved in the 2012 State Board Approval and by the Colorado General Assembly if the aggregate Rent payable under such future Leases, together with the Rent on, the 2012H Lease and the Prior Leases, would cause the maximum aggregate annual lease payments permitted

by the Act to be exceeded. For a description of the Program and such maximum aggregate annual lease payments, see “PLAN OF FINANCING – The Program.”

### **Purposes of the Series 2012H Certificates**

Proceeds from the sale of the Series 2012H Certificates will be used to finance the Costs of the Series 2012H Projects for the Series 2012H Participating K-12 Institutions, as more fully described in “The Series 2012H Participating K-12 Institutions” under this caption and “PLAN OF FINANCING – The Series 2012H Projects and Series 2012H Participating K-12 Institutions.” Proceeds of the Series 2012H Certificates will also be used to fund a deposit to the State Expense Fund and to pay the costs of issuance associated with the Series 2012H Certificates. See “PLAN OF FINANCING – Sources and Uses of Funds” for a description of the estimated uses of proceeds of the Series 2012H Certificates.

### **The Series 2012H Participating K-12 Institutions**

Proceeds of the Series 2012H Certificates are expected to be used to fund the Series 2012H Projects for the benefit of the following entities in Colorado (collectively, the “**Series 2012H Participating K-12 Institutions**”): (1) Elbert School District No. 200; (2) Genoa-Hugo School District No. C-113; (3) Greeley School District No. 6 in the County of Weld and State of Colorado (“**Greeley School District No. 6**”); (4) Hi-Plains R-23; (5) Lake County School District No. R-1; (6) Montezuma-Cortez School District No. RE-1; (7) Otis School District No. R-3; (8) Platte Valley School District No. RE3; and (9) Sheridan School District No. 2. See “PLAN OF FINANCING – The Series 2012H Projects and Series 2012H Participating K-12 Institutions.”

### **The Series 2012H Projects**

The Series 2012H Projects involve various capital projects for the Series 2012H Participating K-12 Institutions approved in the 2012 State Board Approval, at certain funding levels. In accordance with the terms of the 2012H Subleases between the State and the Series 2012H Participating K-12 Institutions, each of the Series 2012H Participating K-12 Institutions agrees to construct the respective projects, and in accordance with the 2012H Lease, the State has agreed to cause the projects of the Series 2012H Participating K-12 Institutions that will execute and deliver 2012H Subleases to be constructed by causing such Series 2012H Participating K-12 Institution to comply with its related 2012H Sublease, but no failure of the related Series 2012H Participating K-12 Institution to comply with the relevant provisions of its 2012H Sublease will relieve the State of its obligation to cause the facilities to be constructed. See “PLAN OF FINANCING – The Series 2012H Projects and Series 2012H Participating K-12 Institutions” for further information about the Series 2012H Projects. Projects other than the Series 2012H Projects have been funded with the proceeds of the Prior Certificates and other projects may be funded with proceeds of additional Series of Certificates issued under the Master Indenture relating to a separate Lease or an amendment to the 2012H Lease or a Prior Lease but will require further authorization by the State Board for any Projects not approved in the 2012 State Board Approval and by the Colorado General Assembly if the aggregate Base Rent payable under the 2012H Lease, the Prior Leases and the additional Lease or an amendment to the 2012H Lease or a Prior Lease relating to such additional Series of Certificates would exceed the maximum aggregate annual lease payment permitted by the Act. See “Terms of the Series 2012H Certificates – Additional Series of Certificates” under this caption and “PLAN OF FINANCING – The Program.”

### **The Leased Property**

Each of the Series 2012H Participating K-12 Institutions (or, in the case of some charter schools, the chartering entities) is entering into a Site Lease with the Trustee dated as of the date of delivery of the

Series 2012H Certificates (the “**2012H Site Leases**”) pursuant to which, in each case, certain land owned (or acquired prior to or contemporaneously with the execution and delivery of the Series 2012H Certificates) by the respective Series 2012H Participating K-12 Institution (or, in the case of some charter schools, the chartering school districts) and the buildings, structures and improvements now or hereafter located on such land (collectively, the “**2012H Leased Property**”) will be leased to the Trustee. See “SECURITY AND SOURCES OF PAYMENT – The Leased Property” and “CERTAIN RISK FACTORS – Effect of a Nonrenewal of the Lease.” The 2012H Leased Property collectively with the additional Leased Property which has already or may in the future be leased under the Prior Leases, additional Leases or amendments to the Prior Leases or the 2012H Lease is referred to herein as the “**Leased Property**.” The 2012H Leased Property is being leased by the Trustee to the State, pursuant to the 2012H Lease, and the State is subleasing the 2012H Leased Property to the respective Series 2012H Participating K-12 Institutions under certain Subleases each dated as of the date of delivery of the Series 2012H Certificates (the “**2012H Subleases**”). Any additional Leased Property which the State has already chosen or chooses in the future to lease under the Prior Leases or additional Leases or amendments to the Prior Leases or the 2012H Lease will secure all holders of Certificates under the Master Indenture, including holders of the Series 2012H Certificates on a parity basis. The State may substitute other property for any portion of the Leased Property upon delivery to the Trustee of certain items as described in “SECURITY AND SOURCES OF PAYMENT – The Leased Property – Substitution of Leased Property.” **Upon any decision of the State not to appropriate and thereby terminate the 2012H Lease or any other Lease in a particular year, the State would relinquish its right to use all of the Leased Property (including the 2012H Leased Property) or any portion thereof through the term of the respective Site Leases. In such event, the Series 2012H Participating K-12 Institutions which are Sublessees (and, in the case of charter schools, their chartering school entity) will have the option to purchase a portion of the 2012H Leased Property under the respective 2012H Subleases upon certain conditions as further described herein. See “SECURITY AND SOURCES OF PAYMENT – The Leased Property – Sublessee’s Purchase Option.”**

## **Terms of the Series 2012H Certificates**

### *Payments*

Principal of and premium, if any, on the Series 2012H Certificates is payable when due upon surrender of the Series 2012H Certificates at the office of the Trustee. Interest on each Series 2012H Certificate shall be payable by check or draft of the Trustee mailed on or before each Interest Payment Date to the Owner thereof at the close of business on the first day of the month (whether or not such day is a Business Day) in which such Interest Payment Date occurs (the “**Record Date**”); provided that, such interest payable to any Owner may be paid by alternative means agreed to by such Owner and the Trustee.

### *Denominations*

The Series 2012H Certificates are deliverable in the authorized denomination of \$5,000 and integral multiples thereof.

### *Redemption*

The Series 2012H Certificates are subject to optional, mandatory and extraordinary redemption prior to their stated maturity date under certain circumstances described herein under “THE SERIES 2012H CERTIFICATES – Redemption.”

### *Additional Certificates*

The Master Indenture permits the execution and delivery of Series of Certificates in addition to the Series 2012H Certificates and the Prior Certificates secured by the Trust Estate on parity with the Series 2012H Certificates and the Prior Certificates without notice to or approval of the owners of the Outstanding Series 2012H Certificates or Prior Certificates, as directed by the State and upon satisfaction of certain conditions, all as provided in the Master Indenture. For a description of these conditions, see “THE SERIES 2012H CERTIFICATES – Additional Series of Certificates.” If any additional Certificates are executed and delivered, the Prior Leases or 2012H Lease must be amended or an additional Lease shall be entered by the State to include as Leased Property thereunder such additional Leased Property, if any, as may be leased by the State in connection with the execution and delivery of such additional Certificates.

**For a more complete description of the Series 2012H Certificates, the Indenture pursuant to which such Series 2012H Certificates are being executed and delivered, the 2012H Lease, the 2012H Site Leases and the 2012H Subleases, see “Forms of Master Indenture, Supplemental Indenture, 2012H Lease, 2012H Site Leases and 2012H Subleases” attached hereto in Appendix B.**

### **Sources of Payment for the Series 2012H Certificates**

The Series 2012H Certificates are payable solely from annually appropriated Base Rent, other Lease Revenues received by the Trustee pursuant to the Leases and other moneys in the Trust Estate in accordance with the terms of the Indenture. See “SECURITY AND SOURCES OF PAYMENT.” The Leases provide that the obligation of the State to pay Base Rent and Additional Rent during the Lease Term shall, subject only to the other terms of the Leases, be absolute and unconditional and shall not be abated or offset for any reason related to the Leased Property and that, notwithstanding any dispute between the State and the Trustee or between the State or the Trustee and any other Person relating to the Leased Property, the State shall, during the Lease Term, pay all Rent when due; the State shall not withhold any Rent payable during the Lease Term pending final resolution of such dispute and shall not assert any right of set-off or counter-claim against its obligation to pay Rent, provided, however, that the payment of any Rent shall not constitute a waiver by the State of any rights, claims or defenses which the State may assert; and no action or inaction on the part of the Trustee shall affect the State’s obligation to pay Rent during the Lease Term.

The Leases provide that an Event of Nonappropriation shall be deemed to have occurred, subject to the State’s right to cure described below, on June 30 of any Fiscal Year if the Colorado General Assembly has, on such date, failed, for any reason, to appropriate sufficient amounts authorized and directed to be used to pay all Base Rent scheduled to be paid and all Additional Rent estimated to be payable in the next ensuing Fiscal Year. Notwithstanding the description of an Event of Nonappropriation in the preceding sentence, an Event of Nonappropriation shall not be deemed to occur if, on or before August 15 of the next ensuing Fiscal Year, (i) the Colorado General Assembly has appropriated or otherwise authorized the expenditure of amounts sufficient to avoid an Event of Nonappropriation as described in the preceding sentence and (ii) the State has paid all Rent due during the period from June 30 through the date of such appropriation or authorization.

If an Event of Nonappropriation has occurred, the Trustee may exercise any of the remedies described in the Leases, including the sale or lease of the Trustee’s interest in the Leased Property, subject to the purchase option of the Participating K-12 Institutions (and, in the case of charter schools, the chartering entity) under the respective Subleases. Each such Participating K-12 Institution (and, in the case of charter schools, the chartering entity) has the right under the respective Sublease to purchase all of the Leased Property subject to such Sublease following the occurrence of an Event of Default or Event of

Nonappropriation under the Leases, by paying an amount equal to the principal amount of the Attributable Certificates through the closing date for the purchase of such Leased Property and to pay all Additional Rent payable through the date of conveyance of such Leased Property. The net proceeds from the exercise of such remedies are to be applied toward the payment of the Certificates under the Master Indenture, including the Series 2012H Certificates as described in the form of Master Indenture attached hereto in **Appendix B**. **There can be no assurance that the Participating K-12 Institutions will exercise their right to purchase the Leased Property or that such proceeds will be sufficient to pay all of the principal due on the Series 2012H Certificates.**

The State has the option to terminate the 2012H Lease and release the 2012H Leased Property from the Indenture in connection with the defeasance of the Series 2012H Certificates by paying the State's Purchase Option Price as described under "THE SERIES 2012H CERTIFICATES – State's Purchase Option Price." The State may also substitute other property for any portion of the Leased Property as described in "SECURITY AND SOURCES OF PAYMENT – The Leased Property – Substitution of Leased Property."

**Payment of Rent and all other payments by the State shall constitute currently appropriated expenditures of the State and may be paid solely from legally available moneys in the Assistance Fund, including any moneys appropriated or transferred by the Colorado General Assembly to the Assistance Fund from any legally available sources, including the State General Fund, if the amount of money in the Assistance Fund that is available to pay Rent will be insufficient to cover the full amount of Rent. All obligations of the State under the Leases shall be subject to the action of the Colorado General Assembly in annually making moneys available for payments thereunder. The obligations of the State to pay Rent and all other obligations of the State under the Leases are subject to appropriation by the Colorado General Assembly in its sole discretion, and shall not be deemed or construed as creating an indebtedness of the State within the meaning of any provision of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness of the State and shall not constitute a multiple fiscal year direct or indirect debt or other financial obligation of the State within the meaning of Section 3 of Article XI or Section 20(4) of Article X of the State Constitution or any other limitation or provision of the State Constitution, State statutes or other State law. In the event the State does not renew any Lease, the sole security available to the Trustee, as lessor under the Leases, shall be the Leased Property leased under the Leases, subject to the terms of the Leases.**

#### **Certain Risks to Owners of the Series 2012H Certificates**

Certain factors described in this Official Statement could affect the payment of Base Rent under the Leases (including the 2012H Lease), the value of the Leased Property and the market price of the Series 2012H Certificates to an extent that cannot be determined at this time. *Each prospective investor should read the Official Statement in its entirety to make an informed investment decision, giving particular attention to the section entitled "CERTAIN RISK FACTORS."*

#### **Availability of Continuing Information**

Upon delivery of the Series 2012H Certificates, the State will execute a Continuing Disclosure Undertaking in which it will agree, for the benefit of the owners of the Series 2012H Certificates, to file such ongoing information regarding the State as described in "CONTINUING DISCLOSURE" herein. A form of the Continuing Disclosure Undertaking is attached hereto as **Appendix C**.

## **State Economic and Demographic Information**

This Official Statement contains economic and demographic information about the State prepared and compiled in June 2012 by Development Research Partners for use by the State. See **Appendix H** – “CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION.”

Development Research Partners has consented to the inclusion of such information in this Official Statement. Neither the State nor the Underwriters intends to assume responsibility for the accuracy, completeness or fairness of the information contained in **Appendix H**. The information in **Appendix H** – “CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION” has been included in this Official Statement in reliance upon the authority of Development Research Partners as experts in the preparation of economic and demographic analyses. Potential investors should read **Appendix H** in its entirety for information with respect to the economic and demographic status of the State.

## **Other Information**

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The quotations from, and summaries and explanations of, the statutes, regulations and documents contained herein do not purport to be complete and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents (including the Act) may be obtained during the offering period, upon request to the Underwriters at RBC Capital Markets, LLC, as Representative of the Underwriters, 1200 Seventeenth Street, Suite 2150, Denver, Colorado 80202, Attention: Public Finance Department, telephone number: (303)595-1222.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the State or the Series 2012H Participating K-12 Institutions and the purchasers or holders of any of the Series 2012H Certificates.

## **PLAN OF FINANCING**

### **The Program**

The Series 2012H Certificates are being delivered pursuant to the Indenture and under authority granted by the Act. The Act created the Assistance Fund and authorizes the State Treasurer to enter into Leases for Projects approved by the State Board, provided that the maximum total amount of annual lease payments payable by the State during any Fiscal Year under the Leases is less than the maximum total amount of annual lease payments set forth below for the applicable Fiscal Year. If the maximum total amount of annual lease payments of principal or interest payable by the State during any Fiscal Year under the Leases is greater than one-half of the maximum amount of annual lease payments set forth below for the applicable Fiscal Year, the aggregate amount of Matching Moneys expected to be credited to the Assistance Fund pursuant to the Act and any interest or income derived from the deposit and investment of the Matching Moneys must be at least equal to the annual amount of lease payments of principal and interest payable by the State during any Fiscal Year under the Leases that exceed one-half of the maximum total amount of annual lease payments set forth below. See **Appendix F** – “PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE FUND – Matching Moneys,” for a description

of the Matching Moneys expected to be credited to the Assistance Fund. The maximum total amount of annual lease payments (the “**Maximum Annual Lease Payments**”) referenced above is:

- (i) \$20 million for the 2008-09 Fiscal Year;
- (ii) \$40 million for the 2009-10 Fiscal Year;
- (iii) \$60 million for the 2010-11 Fiscal Year; and
- (iv) \$80 million for the 2011-12 Fiscal Year and for each Fiscal Year thereafter.

For example, if the total amount of annual lease payments payable by the State in Fiscal Year 2012-13 was \$45 million, the State would need to expect at the time it enters into a Lease that at least \$5 million in aggregate Matching Moneys would be credited to the Assistance Fund in Fiscal Year 2012-13.

For purposes of complying with the limitations on Maximum Annual Lease Payments, Colorado Revised Statutes (“**CRS**”) Section 11-59.7-105(4) in the Colorado Recovery and Reinvestment Finance Act of 2009 (the “**CRRFA**”), permits the Base Rent due under the Leases to be netted against, and reduced by, the Federal Direct Payments (as defined under “**SECURITY AND SOURCES OF PAYMENT – Federal Direct Payments**”) with respect to the Series 2010B Certificates, the Series 2010D Certificates and the Series 2010E Certificates expected to be received by the Trustee on behalf of the State pursuant to the Indenture, as a result of the designation of the Series 2010B Certificates and Series 2010E Certificates as “Build America Bonds” and the designation of the Series 2010D Certificates as “Qualified School Construction Bonds.”

The annual lease payments due under the Prior Leases and the 2012H Lease and payable by the State in any Fiscal Year during the term of such Leases, net of the aggregate amount of Matching Moneys expected to be credited to the Assistance Fund pursuant to the Act and any interest or income derived from the deposit and investment of the Matching Moneys and net of the Federal Direct Payments expected to be received by the Trustee on behalf of the State pursuant to the Indenture, are expected to be less than one-half of the Maximum Annual Lease Payments set forth above for Fiscal Year 2012-13 and thereafter. For purposes of the immediately preceding sentence, the potential impact of sequestration on Federal Direct Payments in Fiscal Year 2013-2014 has been taken into account. See “**BASE RENT**” and “**SECURITY AND SOURCES OF PAYMENT – Federal Direct Payments.**”

The Colorado General Assembly has established the Program in order to implement the Act. See “**INTRODUCTION – The Program.**” On November 14, 2012, the State Board approved certain projects for certain K-12 Institutions as Projects for funding under the Program. Certain of these Projects are being funded as the Series 2012H Projects. See “**The Series 2012H Projects and Series 2012H Participating K-12 Institutions**” below for a description of the Series 2012H Projects. The 2012H Lease is the fifth lease-purchase agreement being entered by the State in order to finance Projects under the Program. The Series 2009A Certificates outstanding in the aggregate principal amount of \$71,660,000 evidence undivided interests in the right to receive certain payments by the State under the 2009A Lease. The Series 2010B-C Certificates outstanding in the aggregate principal amount of \$95,305,000 evidence undivided interests in the right to receive certain payments by the State under the 2010B-C Lease. The Series 2010D-F Certificates outstanding in the aggregate principal amount of \$210,085,000 evidence undivided interests in the right to receive certain payments by the State under the Series 2010D-F Lease. The Series 2011G Certificates outstanding in the aggregate provided amount of \$140,200,000 evidence undivided interests in the right to receive certain payments by the State under the Series 2011G Lease. The Master Indenture permits the execution of other Leases and the execution and delivery of additional Series of Certificates issued under the Master Indenture on a parity basis, in order to fund additional

Projects under the Program. See “THE SERIES 2012H CERTIFICATES – Additional Series of Certificates.” The State could choose to fund future projects through certificates of participation which would not be issued pursuant to the Master Indenture. In such case, the related leased property would not secure the Series 2012H Certificates. The execution by the State of future leases or an amendment to the 2012H Lease or a Prior Lease for additional Projects, would require authorization by the State Board and would require additional authorization from the General Assembly to the extent that Rent under the 2012H Lease, Prior Leases and such additional leases would exceed the annual lease payment limits described above.

**Sources and Uses of Funds**

The sources and uses of funds relating to the Series 2012H Certificates are set forth in the following table.

<b>SOURCES OF FUNDS:</b>	
Par amount of Series 2012H Certificates .....	\$ 195,965,000
Net Premium .....	<u>9,396,419</u>
<b>TOTAL SOURCES OF FUNDS .....</b>	<b><u>\$ 205,361,419</u></b>
<b>USES OF FUNDS:</b>	
Deposit to Series 2012H Project Accounts of Capital Construction Fund <sup>(1)</sup> .....	\$ 203,624,221
Deposit to State Expense Fund .....	100,000
For costs of issuance, including Underwriters’ discount <sup>(2)</sup> .....	<u>1,637,198</u>
<b>TOTAL USES OF FUNDS .....</b>	<b><u>\$ 205,361,419</u></b>

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(1) The difference between this amount and the aggregate total project cost of \$217,042,667 shown in the table under the heading “The Series 2012H Projects and Series 2012H Participating K-12 Institutions” below is \$13,418,446 representing (i) amounts originally allocated to the Rocky Mountain Deaf School in 2011 and subsequently reallocated to the Series 2012H Projects, and (ii) certain Series 2012H Project costs that are to be paid from the Assistance Fund in amounts corresponding to Matching Moneys obligations in the form of cash deposited therein at or prior to the execution and delivery of the Series 2012H Certificates or principal and interest on Matching Money Bonds, and interest earnings from proceeds of the Prior Certificates, if any.

(2) Such amount (other than the Underwriters’ discount) shall be deposited to the Costs of Issuance Account of the Capital Construction Fund and shall be used to pay costs of issuance including legal fees, rating agencies fees, printing costs, financial advisor’s fees and a \$100,000 transfer to the State Public Financing Cash Fund. For information concerning the Underwriters’ discount, see “UNDERWRITING.”

**The Series 2012H Projects and Series 2012H Participating K-12 Institutions**

The following table describes the Series 2012H Participating K-12 Institutions and Series 2012H Projects expected to be funded with proceeds of the Series 2012H Certificates, moneys in the Assistance Fund in an amount equal to Matching Moneys to be deposited therein when received from such Series 2012H Participating K-12 Institution and total cost of the related Series 2012H Project.

**Series 2012H Projects and Series 2012H Participating K-12 Institutions**

<u>Series 2012H Participating K-12 Institution</u>	<u>Series 2012H Project Description</u>	<u>Matching Moneys<sup>(1)</sup></u>	<u>Total Project Cost</u>
Elbert School District No. 200	Replacement of existing PK-12 school 73,869 sq. ft. w/25 classrooms	\$ 3,374,635 <sup>(2)</sup>	\$ 20,677,913
Genoa-Hugo School District No. C-113	PK-12 addition and renovation 63,471 sq. ft. w/29 classrooms	6,609,572	16,418,625
Greeley School District No. 6	Replace existing middle school 103,267 sq. ft. w/36 classrooms	8,177,991	29,207,113
Hi-Plains School District R-23	Replace elementary school & high school with new PK-12 school 51,268 sq. ft. w/20 classrooms	2,851,230	17,022,165
Lake County School District No. R-1	High school renovation and addition 130,224 sq. ft. w/31 classrooms	11,396,979	26,504,603
Montezuma-Cortez School District No. RE1	High school replacement 162,500 sq. ft. w/25 classrooms	19,357,769	42,082,107
Otis School District No. R-3	PK-12 school replacement 67,764 sq. ft. w/21 classrooms	2,806,495	20,585,986
Platte Valley School District No. RE3	High school renovation with elementary school addition 57,127 sq. ft. w/22 classrooms	4,869,512	15,042,216
Sheridan School District No. 2	Replace early childhood center and renovate middle school 129,927 sq. ft. w/49 classrooms	<u>6,490,426</u>	<u>29,501,939</u>
Total		\$65,934,609	\$217,042,667

- (1) The respective amounts shown on this chart as Matching Moneys are required to be funded as described in **Appendix F** hereto by the related Series 2012H Participating K-12 Institution and are to be deposited into the Assistance Fund when received. See the form of 2012 Subleases “– Costs of Sublessee’s Project” in **Appendix B** attached hereto. **Matching Moneys and other amounts deposited in the Assistance Fund do not directly secure payment of the Series 2012H Certificates. Once Matching Moneys are deposited in the Assistance Fund, such amounts, together with other amounts on deposit in the Assistance Fund, are available to be appropriated by the Colorado General Assembly to pay principal and interest on the Series 2012H Certificates or for other purposes permitted by the Act, including, without limitation, defraying the cost of Projects or projects that are not financed with Certificates. See Appendix F for a description of the Assistance Fund.**
- (2) A portion of the Matching Moneys in the amount of \$500,000 are to be deposited to the Assistance Fund at or prior to the execution of the Series 2012H Certificates.

Under the 2012H Subleases, the Series 2012H Participating K-12 Institutions will agree to construct and use the respective Series 2012H Projects in a manner which satisfies the restrictions of the Code and the Act. In accordance with the terms of the 2012H Subleases between the State and the Series 2012H Participating K-12 Institutions, each of the Series 2012H Participating K-12 Institutions agrees to construct the respective facilities. In accordance with the 2012H Lease, the State has agreed to cause such Projects to be constructed by causing a Series 2012H Participating K-12 Institution to comply with its related 2012H Sublease, but no failure of the related Series 2012H Participating K-12 Institution to comply with the relevant provisions of its 2012H Sublease will relieve the State of its obligation to cause the facilities to be constructed. See “SECURITY AND SOURCES OF PAYMENT – The Leased Property – The 2012H Subleases and Matching Moneys” and “CERTAIN RISK FACTORS – Actions under the 2012H Subleases.”

## THE SERIES 2012H CERTIFICATES

### Generally

General information describing the Series 2012H Certificates appears elsewhere in this Official Statement. That information should be read in conjunction with this summary, which is qualified in its entirety by the forms of the 2012H Site Leases, the 2012H Lease, the 2012H Subleases, the Master Indenture, the 2012H Supplemental Indenture and the forms of Series 2012H Certificates included in the 2012H Supplemental Indenture, all as attached hereto in **Appendix B** hereto.

The Series 2012H Certificates will be dated as the date of delivery and will mature and bear interest (calculated based on a 360-day year of twelve 30-day months) payable on September 15, 2013, and semiannually thereafter on March 15 and September 15 of each year and as further described on the inside cover page of this Official Statement. Principal and premium, if any, is payable when due upon surrender of the Series 2012H Certificates at the office of the Trustee. The Series 2012H Certificates will be executed and delivered as fully registered certificates in the denomination of \$5,000 or any integral multiple thereof.

### Book-Entry System

DTC will act as securities depository for the Series 2012H Certificates. The Series 2012H Certificates will be executed and delivered as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be executed and delivered for each maturity of the Series 2012H Certificates in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). The State undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on such websites as described in the preceding sentence, including, but not limited to, updates of such information or links to other internet sites accessed through the aforementioned websites.

Purchases of Series 2012H Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012H Certificates on DTC's records. The ownership interest of each actual purchaser ("**Beneficial Owner**") of each Series 2012H Certificate is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2012H Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2012H Certificates, except in the event that use of the book-entry system for the Series 2012H Certificates is discontinued.

To facilitate subsequent transfers, all Series 2012H Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2012H Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2012H Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2012H Certificates may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2012H Certificates, such as redemption, tenders, defaults and proposed amendments to the underlying documents. For example, Beneficial Owners of the Series 2012H Certificates may wish to ascertain that the nominee holding the Series 2012H Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2012H Certificates within an issue are being redeemed, DTC's practice is to determine by pro rata the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2012H Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trust or the Lessee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2012H Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and redemption proceeds on the Series 2012H Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Trustee or the State, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of principal and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2012H Certificates at any time by giving reasonable notice to the Lessee or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2012H Certificates are required to be printed and delivered as described in the Indenture.

The Trustee, at the direction of the Lessee, may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2012H Certificates will be printed and delivered as described in the Indenture.

*The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2012H Certificate and payment of principal and other payments on the Series 2012H Certificates to Direct Participants, Indirect Participants, or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Series 2012H Certificates, and other related transactions by and between DTC, the Direct Participants, the Indirect Participants, and the Beneficial Owners is based solely on information provided by DTC. Such information has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy thereof. Accordingly, no representations can be made concerning these matters and neither the Direct Participants, the Indirect Participants, nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the Direct Participants, as the case may be.*

#### **Additional Series of Certificates**

So long as the Lease Term remains in effect and no Event of Nonappropriation or Event of Default has occurred and is continuing, one or more Series of Certificates may be executed and delivered as directed by the State, without the consent of owners of outstanding Certificates, upon the terms and conditions as provided in the Master Indenture. Additional Series of Certificates may be executed and delivered only upon satisfaction of each of the following conditions:

(i) The Trustee has received a form of Supplemental Indenture that specifies the following: (a) the Series designation, the aggregate principal amount, the Authorized Denominations, the dated date, the maturity dates, the interest rates, if any, the redemption provisions, if any, the Tax Treatment Designation, the form and any variations from the terms set forth in the Master Indenture with respect to such Series of Certificates; (b) any amendment, supplement or restatement of the Glossary required or deemed by the State to be advisable or desirable in connection with such Supplemental Indenture; and (c) any other provisions deemed by the State to be advisable or desirable and that do not violate and are not in conflict with the Master Indenture or any previous Supplemental Indenture.

(ii) The Trustee has received forms of a new Site Lease and Lease or amendments to an existing Site Lease and Lease adding any new Leased Property and/or amendments to an existing Site Lease and Lease removing or modifying any Leased Property that is to be removed or modified.

(iii) If the proceeds of such Series of Certificates are to be used to defease Outstanding Certificates pursuant to the Master Indenture, the Trustee shall have received a form of a defeasance escrow agreement and the other items required by the Master Indenture.

(iv) The State has certified to the Trustee that: (a) the Fair Market Value of the property added to the Leased Property in connection with the execution and delivery of such Series of Certificates is at least equal to 90% of the principal amount of such Series of Certificates; and (b) no Event of Default or Event of Nonappropriation exists under any Lease. The certification of the State pursuant to clause (a) may be given based and in reliance upon certifications by the Sublessees that leased the Leased Property to the Trustee pursuant to Site Leases.

(v) The Trustee has received evidence that the execution and delivery of the Series of Certificates will not result in a reduction of the then current rating by any Rating Agency of any Outstanding Certificates, which evidence may take the form of a letter from a Rating Agency, a certificate of a financial advisor to the State or a certificate of an underwriter of Certificates.

(vi) The State has directed the Trustee in writing as to the delivery of the Series of Certificates and the application of the proceeds of the Series of Certificates, including, but not limited to, the amount to be deposited into the Project Account established for each Participating K-12 Institution, the amount, if any, of the Allocated Investment Earnings for each Project Account, the amount to be deposited into the Cost of Issuance Account and, if proceeds of such Series of Certificates are to be used to defease Outstanding Certificates pursuant to the Master Indenture, the amount to be deposited into the defeasance escrow account established pursuant to the Master Indenture.

(vii) The Trustee has received a written opinion of Bond Counsel to the effect that (a) the Certificates of such Series have been duly authorized, executed and delivered pursuant to the Act, the Master Indenture and the Supplemental Indenture executed and delivered in connection with the execution and delivery of such Series of Certificates and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Outstanding Certificate, and (b) the execution, sale and delivery of the Series of Certificates will not constitute an Event of Default or a Failure to Perform nor cause any violation of the covenants set forth in the Master Indenture.

Each Certificate executed and delivered pursuant to the Master Indenture will evidence an undivided interest in the right to receive Lease Revenues and shall be payable solely from the Trust Estate without preference, priority or distinction of any Certificate over any other Certificate.

## **Redemption**

### *Extraordinary Redemption Upon Occurrence of Event of Nonappropriation or Event of Default*

The Series 2012H Certificates and all other outstanding Certificates shall be redeemed in whole, on such date as the Trustee may determine to be in the best interest of the Owners, upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease, at a redemption price equal to the lesser of: (i) the principal amount of the Series 2012H Certificates (with no premium), plus accrued interest, if any, to the redemption date or (ii) the sum of (A) the amount, if any, received by the Trustee from the exercise of remedies under the Leases with respect to the Event of Nonappropriation or the occurrence and continuation of the Event of Default under any Lease that gave rise to such redemption and (B) the other amounts available in the Trust Estate for payment of the

redemption price of the Series 2012H Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease, which amounts shall be allocated among the Series 2012H Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease in proportion to the principal amount of each such Certificate, provided that available moneys in any Sinking Fund Account shall be allocated only among Qualified School Construction Certificates with the same Series designation as such Sinking Fund Account. **The payment of the redemption price of any Series 2012H Certificate pursuant to the 2012H Supplemental Indenture and any similar redemption provision applicable to any other Certificate shall be deemed to be the payment in full of such Series 2012H Certificate and such other Certificate, and no Owner of any such Series 2012H Certificate or other Certificate redeemed pursuant to this redemption provision or any similar redemption provision applicable to such other Certificate shall have any right to any payment from the Trustee or the State in excess of such redemption price.**

In addition to any other notice required to be given under the Indenture, the Trustee shall, immediately upon the occurrence of an Event of Nonappropriation or Event of Default under any Lease, notify the Owners of the Series 2012H Certificates and all other Certificates that are subject to redemption upon the occurrence and continuation of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under such Lease (i) that such event has occurred and (ii) whether or not the funds then available to it for such purpose are sufficient to pay the redemption price thereof. If the funds then available to the Trustee are sufficient to pay the redemption price, such redemption price shall be paid as soon as possible. If the funds then available to the Trustee are not sufficient to pay the redemption price of the Series 2012H Certificates and other Certificates that are subject to redemption, the Trustee shall (aa) immediately pay the portion of the redemption price that can be paid from the funds available, net of any funds which, in the judgment of the Trustee, should be set aside to pursue remedies under the Leases, (bb) subject to the applicable provisions of the Indenture, immediately begin to exercise and diligently pursue all remedies available to it under the Leases in connection with such Event of Nonappropriation or Event of Default and (cc) pay the remainder of the redemption price, if any, if and when funds become available to the Trustee from the exercise of such remedies.

*Mandatory Sinking Fund Redemption*

Series 2012H Certificates. The Series 2012H Certificates maturing on March 15, 2035 are subject to mandatory sinking fund redemption on March 15 of the years and in the principal amounts set forth below at a redemption price equal to the principal amount thereof (with no premium), plus accrued interest to the redemption date. The Series 2012H Certificates maturing on March 15, 2035 shall be selected for redemption on each mandatory sinking fund redemption date by lot from all remaining Series 2012H Certificates maturing on such date, rounded to the nearest Authorized Denomination.

Mandatory Sinking Fund	
Redemption Date	
<u>(March 15)</u>	<u>Principal Amount</u>
2033	\$35,370,000
2034	32,180,000
2035 <sup>(1)</sup>	33,225,000

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(1) Maturity date

At its option, to be exercised on or before the forty-fifth day next preceding each mandatory sinking fund redemption date, the State may (i) deliver to the Trustee for cancellation any of the Series 2012H Certificates of the same Series and with the same maturity date as the Series 2012H Certificates subject to such mandatory sinking fund redemption and (ii) receive a credit in respect of its mandatory sinking fund redemption obligation for any Series 2012H Certificates with the same maturity date as the Series 2012H Certificates subject to such mandatory sinking fund redemption which prior to such date have been redeemed (otherwise than by mandatory sinking fund redemption) and cancelled and not theretofore applied as a credit against any mandatory sinking fund redemption obligation. Each Series 2012H Certificate so delivered or previously redeemed shall be credited at the principal amount thereof to the mandatory sinking fund redemption obligation on the mandatory sinking fund redemption date by lot, and the principal amount of Series 2012H Certificates to be redeemed as part of such mandatory sinking fund redemption on such dates shall be accordingly reduced.

#### *Optional Redemption*

The Series 2012H Certificates maturing on and after March 15, 2023 are subject to redemption at the option of the State, in whole or in part and if in part in Authorized Denominations from the remaining maturities bearing interest at the same rates designated by the State and by lot within any remaining maturity bearing interest at the same rate designated for redemption, on any date on and after March 15, 2022, at a redemption price equal to the principal amount of the Series 2012H Certificates to be redeemed (with no premium), plus accrued interest to the redemption date.

#### *Notice of Redemption*

Notice of the call for any redemption, identifying the Series 2012H Certificates or portions thereof to be redeemed and specifying the terms of such redemption, shall be given by the Trustee by mailing a copy of the redemption notice by United States first class mail, at least 30 days prior to the date fixed for redemption, and to the Owner of each Series 2012H Certificate to be redeemed at the address shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings of any Series 2012H Certificates as to which no such failure has occurred. Any notice mailed as provided in the Indenture shall be conclusively presumed to have been duly given, whether or not the Owner receives the notice. If at the time of mailing of notice of redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Series 2012H Certificates called for redemption, which moneys are or will be available for redemption of Series 2012H Certificates, such notice will state that it is conditional upon the deposit of the redemption moneys with the Trustee not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

#### *Redemption Payments*

On or prior to the date fixed for redemption, the Trustee is required to apply funds to the payment of the Series 2012H Certificates called for redemption. The Trustee is required to pay to the Owners of Series 2012H Certificates so redeemed, the amounts due on the Series 2012H Certificates at the Operation Center of the Trustee upon presentation and surrender of the Series 2012H Certificates.

## **State's Purchase Option Price**

### *State's Option to Purchase all Leased Property in Connection with Defeasance of Series 2012H Certificates*

The State has been granted in the 2012H Lease the option to purchase all, but not less than all, of the Series 2012H Leased Property in connection with the defeasance of all the Series 2012H Certificates by paying to the Trustee the "State's Purchase Option Price," subject to compliance with all conditions to the defeasance of the Series 2012H Certificates under the Indenture, including, but not limited to, the receipt of an opinion of Bond Counsel that the defeasance will not cause an Adverse Tax Event. For purposes of a purchase of all the 2012H Leased Property as described in this paragraph, the "**State's Purchase Option Price**" is an amount sufficient (i) to defease all the Series 2012H Certificates in accordance with the defeasance provisions of the Indenture and (ii) to pay all Additional Rent payable through the date on which the 2012H Leased Property is conveyed to the State or its designee pursuant to the Indenture, including, but not limited to, all fees and expenses of the Trustee relating to the conveyance of the 2012H Leased Property and the payment, redemption or defeasance of the Outstanding Series 2012H Certificates; provided, however, that (A) the State's Purchase Option Price shall be reduced by the moneys, if any, in the funds and accounts created under the Master Indenture (except the Rebate Fund and any existing defeasance escrows accounts established pursuant to the Master Indenture) that are available for deposit in the defeasance escrow account established pursuant to the Master Indenture for the Series 2012H Certificates, and (B) if any Series 2012H Certificates have been paid, redeemed or defeased with the proceeds of another Series of Certificates, in applying this subsection, Outstanding Certificates of the Series of Certificates the proceeds of which were used to pay, redeem or defease the Series 2012H Certificates shall be substituted for the Series 2012H Certificates that were paid, redeemed or defeased, which substitution shall be accomplished in any reasonable manner selected by the State in its sole discretion.

In order to exercise its option to purchase the 2012H Leased Property as described in the previous paragraph, the State must: (i) give written notice to the Trustee (A) stating that the State intends to purchase the 2012H Leased Property as described in the previous paragraph, (B) identifying the source of funds it will use to pay the State's Purchase Option Price, and (C) specifying a closing date for such purpose which is at least 30 and no more than 90 days after the delivery of such notice; and (ii) pay the State's Purchase Option Price to the Trustee in immediately available funds on the closing date.

## BASE RENT

The following table sets forth the State's Base Rent obligations after execution and delivery of the Series 2012H Certificates (assuming that the State chooses not to terminate the Leases during the Lease Term, which it has an annual option to do).

Fiscal Year (ended June 30)	Base Rent Series 2012H Certificates		Total Prior Certificates Base Rent	Less Expected Federal Direct Payments <sup>(2)(3)</sup>	Total Fiscal Year Net Base Rent <sup>(4)</sup>
	Principal Component <sup>(1)</sup>	Interest Component <sup>(1)</sup>			
2013	--	--	\$46,449,631	\$(9,508,231)	\$36,941,400
2014	\$1,810,000	\$8,736,794	46,397,192	(9,477,645)	47,466,341
2015	3,780,000	6,816,188	47,270,941	(9,437,692)	48,429,436
2016	3,895,000	6,700,588	47,217,061	(9,392,024)	48,420,624
2017	4,005,000	6,582,688	47,169,914	(9,339,210)	48,418,391
2018	4,125,000	6,462,588	47,068,856	(9,243,027)	48,413,416
2019	4,245,000	6,340,088	46,957,752	(9,136,644)	48,406,196
2020	4,455,000	6,127,838	46,835,036	(9,022,293)	48,395,581
2021	4,620,000	5,962,638	46,710,382	(8,900,728)	48,392,292
2022	4,850,000	5,731,638	46,578,046	(8,770,935)	48,388,748
2023	5,005,000	5,577,638	46,416,526	(8,618,696)	48,380,468
2024	5,205,000	5,377,438	46,248,192	(8,455,358)	48,375,271
2025	5,365,000	5,212,988	46,072,179	(8,285,604)	48,364,563
2026	5,580,000	4,998,388	45,768,376	(7,989,136)	48,357,628
2027	5,770,000	4,805,188	45,422,994	(7,652,061)	48,346,121
2028	6,000,000	4,574,388	45,068,629	(7,300,709)	48,342,308
2029	6,240,000	4,334,388	39,525,044	(1,767,121)	48,332,310
2030	6,485,000	4,084,788	38,969,721	(1,213,221)	48,326,287
2031	6,745,000	3,825,388	35,514,197	(635,231)	45,449,353
2032	7,010,000	3,555,588	30,345,000	--	40,910,588
2033	35,370,000	3,275,188	--	--	38,645,188
2034	32,180,000	2,125,663	--	--	34,305,663
2035	33,225,000	1,079,813	--	--	34,304,813
Total	\$195,965,000	\$112,287,882 <sup>(4)</sup>	\$888,005,670	\$(144,145,568)	\$1,052,112,984

- (1) There will be credited against the amount of Base Rent otherwise payable under the 2012H Lease the amount on deposit in the Certificate Fund that is not restricted by the Indenture to the payment of the redemption price of Certificates or the costs of defeasing Certificates.
- (2) Represents amount of expected Federal Direct Payments on the Series 2010B Certificates, the Series 2010D Certificates, and the Series 2010E Certificates. See "SECURITY AND SOURCES OF PAYMENT – Payments by the State" and " – Federal Direct Payments," "CERTAIN RISK FACTORS – Federal Direct Payments," and "FORWARD-LOOKING STATEMENTS" for a discussion of Federal Direct Payments and the potential effect of sequestration.
- (3) The State has covenanted in the 2010B-C Lease and the 2010D-F Lease to request the Federal Direct Payments from the United States Treasury and the Trustee in such Leases has agreed to assist the State in doing so. See "THE SERIES 2012H CERTIFICATES," "CERTAIN RISK FACTORS – Federal Direct Payments."
- (4) Amounts may not sum due to rounding.

## SECURITY AND SOURCES OF PAYMENT

### Payments by the State

Each Series 2012H Certificate evidences undivided interests in the right to receive Lease Revenues pursuant to the Leases, including: (i) the Base Rent; (ii) Federal Direct Payments; (iii) the State's Purchase Option Price, if paid (including any Net Proceeds applied to the payment of the State's Purchase Option Price pursuant to a Lease); (iv) earnings on moneys on deposit in the Certificate Fund, the Capital Construction Fund and the State Expense Fund (but not the Rebate Fund or any defeasance escrow account); and (v) any other moneys to which the Trustee may be entitled for the benefit of the Owners. All payment obligations of the State under the 2012H Lease, including but not limited to payment of Base Rent, are from year to year only and do not constitute a mandatory charge or requirement in any year beyond the State's then current fiscal year. All covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, contained in the Leases are the covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the State or the Trustee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the State or the Trustee or any natural person executing Leases or any related document or instrument; provided that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

As more fully described under the captions "CERTAIN RISK FACTORS" and in the form of the 2012H Lease attached hereto in **Appendix B**, following an Event of Nonappropriation, the Lease Term of the 2012H Lease will terminate on June 30 of any Fiscal Year in which the Event of Nonappropriation occurs.

Under the Act, Base Rent and Additional Rent must be paid from the amounts on deposit in the Assistance Fund. The Act establishes the Assistance Fund and provides for the deposit to such Fund of certain revenues as described in "PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE FUND" in **Appendix F**. However, the Act also permits the General Assembly to appropriate or transfer moneys to the Assistance Fund from any legally available source, including the State General Fund, if the amounts in the Assistance Fund are insufficient to cover the full amount of Rent required by the 2012H Lease, the Prior Leases and any other Lease entered in connection with any additional Series of Certificates issued to fund the Program. Any such amounts in the Assistance Fund may only be used to pay Base Rent and Additional Rent if specifically appropriated by the Colorado General Assembly for that purpose. There is no obligation of the State to appropriate such Assistance Fund revenues, or to appropriate any other State moneys to be transferred to the Assistance Fund, for purposes of paying Base Rent or Additional Rent under the Leases. In addition, amounts on deposit in the Assistance Fund are not restricted to the payment of the Certificates and may be used for any purpose permitted by the Act, including, without limitation, defraying the cost of Projects. See "STATE FINANCIAL INFORMATION" and **Appendices E and F** hereto.

PAYMENT OF RENT AND ALL OTHER PAYMENTS BY THE STATE SHALL CONSTITUTE CURRENTLY APPROPRIATED EXPENDITURES OF THE STATE AND MAY BE PAID SOLELY FROM LEGALLY AVAILABLE MONEYS IN THE ASSISTANCE FUND, INCLUDING ANY MONEYS APPROPRIATED OR TRANSFERRED BY THE COLORADO GENERAL ASSEMBLY TO THE ASSISTANCE FUND FROM ANY LEGALLY AVAILABLE SOURCE, INCLUDING THE STATE GENERAL FUND, IF THE AMOUNT OF MONEY IN THE ASSISTANCE FUND THAT IS AVAILABLE TO PAY RENT WILL BE INSUFFICIENT TO COVER THE FULL AMOUNT OF RENT. ALL OBLIGATIONS OF THE STATE UNDER THE LEASES

SHALL BE SUBJECT TO THE ACTION OF THE COLORADO GENERAL ASSEMBLY IN ANNUALLY MAKING MONEYS AVAILABLE FOR PAYMENTS THEREUNDER. THE OBLIGATIONS OF THE STATE TO PAY RENT AND ALL OTHER OBLIGATIONS OF THE STATE UNDER THE LEASES ARE SUBJECT TO APPROPRIATION BY THE COLORADO GENERAL ASSEMBLY IN ITS SOLE DISCRETION, AND SHALL NOT BE DEEMED OR CONSTRUED AS CREATING AN INDEBTEDNESS OF THE STATE WITHIN THE MEANING OF ANY PROVISION OF THE STATE CONSTITUTION OR THE LAWS OF THE STATE CONCERNING OR LIMITING THE CREATION OF INDEBTEDNESS OF THE STATE AND SHALL NOT CONSTITUTE A MULTIPLE FISCAL YEAR DIRECT OR INDIRECT DEBT OR OTHER FINANCIAL OBLIGATION OF THE STATE WITHIN THE MEANING OF SECTION 3 OF ARTICLE XI OR SECTION 20(4) OF ARTICLE X OF THE STATE CONSTITUTION OR ANY OTHER LIMITATION OR PROVISION OF THE STATE CONSTITUTION, STATE STATUTES OR OTHER STATE LAW. IN THE EVENT THE STATE DOES NOT RENEW ANY LEASE, THE SOLE SECURITY AVAILABLE TO THE TRUSTEE, AS LESSOR UNDER THE LEASES, SHALL BE THE LEASED PROPERTY LEASED UNDER THE LEASES, SUBJECT TO THE TERMS OF THE LEASES. THE STATE'S OBLIGATIONS UNDER THE LEASES SHALL BE SUBJECT TO THE STATE'S ANNUAL RIGHT TO TERMINATE THE LEASES UPON THE OCCURRENCE OF AN EVENT OF NONAPPROPRIATION. SEE "CERTAIN RISK FACTORS."

### **Lease Term**

The Lease Term of each Lease is comprised of the Initial Term commencing on the date the Lease is executed and delivered and ending on June 30 of that Fiscal Year and successive one year Renewal Terms, subject to the provisions described below. The Lease Term of any Lease shall expire upon the earliest of any of the following events: (a) the last day of the month in which the final Base Rent payment is scheduled to be paid in accordance with the Lease; (b) June 30 of the Initial Term or June 30 of any Renewal Term during which, in either case, an Event of Nonappropriation has occurred; (c) the purchase of all the Leased Property by the State pursuant to the Lease; or (d) termination of the Lease following an Event of Default in accordance with the Lease. Notwithstanding the preceding sentence, an Event of Nonappropriation shall not be deemed to occur if, on or before August 15 of the next ensuing Fiscal Year, (i) the Colorado General Assembly has appropriated or otherwise authorized the expenditure of amounts sufficient to avoid an Event of Nonappropriation as described in the preceding sentence and (ii) the State has paid all Rent due during the period from June 30 through the date of such appropriation or authorization.

Upon termination of the Lease Term, all unaccrued obligations of the State under the Lease shall terminate, but all obligations of the State that have accrued thereunder prior to such termination shall continue until they are discharged in full; and if the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default, the State's right to possession of the Leased Property thereunder shall terminate and (i) the State shall, within 90 days, vacate the Leased Property; and (ii) if and to the extent the Colorado General Assembly has appropriated funds for payment of Rent payable during, or with respect to the State's use of the Leased Property during, the period between termination of the Lease Term and the date the Leased Property is vacated pursuant to clause (i), the State shall pay Base Rent to the Trustee and Additional Rent to the Person entitled thereto. If the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default, the Trustee will be entitled to exercise certain remedies with respect to the Leased Property as further described in the forms of the 2012H Site Leases, the 2012H Lease, the 2012H Subleases and the Indenture attached hereto in **Appendix B**.

## **Nonrenewal of the Lease Term**

The State is not permitted to renew the Leases or any of them (including the 2012H Lease) with respect to less than all of the Leased Property. Accordingly, a decision not to renew any Lease would mean the loss of the use by the State of all of the Leased Property (including the 2012H Leased Property). However, the Indenture and the 2012H Lease permit the State to purchase the 2012H Leased Property in connection with the defeasance of all of the Series 2012H Certificates, as described in “THE SERIES 2012H CERTIFICATES – State’s Purchase Option Price.” The Series 2012H Participating K-12 Institutions (and, in the case of charter schools, the chartering entity) which are Sublessees also have the right to purchase their respective portion of the Leased Property upon an Event of Nonappropriation or Event of Default under the 2012H Lease as described in “The Leased Property - The 2010 Sublessee’s Purchase Option” under this caption and to substitute different property for certain of the 2012H Leased Property as described in “The Leased Property – The 2012H Subleases and Matching Moneys” under this caption.

Upon a nonrenewal of the Lease Term by reason of an Event of Nonappropriation or an Event of Default and so long as the State has not exercised its purchase option with respect to all the 2012H Leased Property, or any Series 2012H Participating K-12 Institution has not exercised the purchase option of its portion of the 2012H Leased Property, the State and such Series 2012H Participating K-12 Institutions (and, in the case of charter schools, the chartering entity) not exercising the purchase option are required to vacate the Leased Property within 90 days. The Trustee may proceed to exercise any remedies available to the Trustee for the benefit of the Owners of the Certificates (including the Series 2012H Certificates) and may exercise any other remedies available upon default as provided in the Leases, including the sale of or lease of the Trustee’s interest under the Site Leases. See “CERTAIN RISK FACTORS,” and the forms of the 2012H Site Leases, 2012H Lease, the 2012H Subleases and the Indenture attached hereto in **Appendix B**.

The 2012H Lease places certain limitations on the availability of money damages against the State as a remedy in an Event of Default or an Event of Nonappropriation. For example, the 2012H Lease provides that a judgment requiring a payment of money may be entered against the State by reason of an Event of Nonappropriation only to the extent the State fails to vacate the 2012H Leased Property as required by the 2012H Lease and only as to certain liabilities as described in the 2012H Lease. All property, funds and rights acquired by the Trustee upon the nonrenewal of the 2012H Lease, along with other moneys then held by the Trustee under the Indenture (with certain exceptions and subject to certain priorities as provided in the 2012H Lease and the Indenture), are required to be used to redeem the Series 2012H Certificates, if and to the extent any such moneys are realized. See “CERTAIN RISK FACTORS,” and forms of the 2012H Site Leases, 2012H Lease, 2012H Subleases and the Indenture attached hereto in **Appendix B**.

## **The Leased Property**

### *Generally*

As described above, the State is not permitted to renew any Lease (including the 2012H Lease) with respect to less than all of the Leased Property (including the 2012H Leased Property) and a decision not to renew any Lease would mean a loss of all of the Leased Property subject to a Lease (including the 2012H Leased Property) for the State unless the purchase option for all of the Leased Property has been exercised by the State. See “THE SERIES 2012H CERTIFICATES – State’s Purchase Option Price.” The State may make substitutions, or may consent to substitutions by the Series 2012H Participating K-12 Institutions, of the 2012H Leased Property in accordance with the terms of the 2012H Leases and the respective 2012H Subleases as described in “Substitution of Leased Property” under this caption. Owners

of the Series 2012H Certificates should not assume that it will be possible to foreclose upon or otherwise dispose of the Leased Property, or any portion thereof, for an amount equal to the respective principal amounts of the Certificates (including the Prior Certificates) plus accrued interest thereon. See “CERTAIN RISK FACTORS – Effect of Nonrenewal of a Lease” for a description of some of the factors that may impact the value of the Leased Property.

In some cases, the Leased Property for a Participating K-12 Institution is comprised of leasehold interests in land and the school facilities for such Participating K-12 Institutions to be built thereon consistent with construction guidelines adopted by the Assistance Board. Under such circumstances, such Participating K-12 Institutions have covenanted to complete construction of their respective facilities within three years of the date of the related Sublease, but the State expects all of the facilities financed with the Series 2012H Certificates to be completed within 18 to 25 months. See **Appendix G** for description of Projects constituting Leased Property, including Projects that have been cleared for occupancy and are currently in operation. In other cases, the Leased Property for a Participating K-12 Institution is comprised of existing facilities, which were not financed with the Certificates.

Information pertaining to the Leased Property relating to the Prior Certificates is provided in **Appendix G**.

Prior to the issuance of the Series 2012H Certificates, the State is required to certify and is expected to certify to the Trustee that the Fair Market Value of the 2012H Leased Property is at least equal to 90% of the principal amount of the Series 2012H Certificates. See “THE SERIES 2012H CERTIFICATES – Additional Series of Certificates.” The following table describes the 2012H Leased Property subject to 2012H Site Leases between the Trustee and the respective 2012H Participating K-12 Institutions as indicated on the table:

### 2012H Leased Property\*

Participating K-12 Institutions	Description of Leased Property <sup>(1)</sup>	Land	Fair Market Value <sup>(2)</sup>
Elbert School District No. 200	PK-12 school 73,869 sq. ft. w/25 classrooms	10.1-acre parcel of land valued at \$46,739	\$19,824,652
Genoa-Hugo School District No. C-113	South Wing of PK-12 school 37,902 sq. ft.	8.66-acre parcel of land valued at \$6,381	10,949,438 <sup>(3)(4)</sup>
Greeley School District No. 6	Middle school 103,267 sq. ft. w/36 classrooms	20.0-acre parcel of land valued at \$3,386	27,169,499 <sup>(4)</sup>
Hi-Plains School District No. R-23	PK-12 school 51,268 sq. ft. w/20 classrooms	40-acre parcel of land valued at \$34,000	15,846,693 <sup>(4)</sup>
Lake County School District No. R-1	High school addition 38,000 sq. ft. w/15 classrooms	2.09-acre parcel of land valued at \$21,326	15,201,235 <sup>(4)</sup>
Montezuma-Cortez School District No. RE1	High school 162,500 sq. ft. w/25 classrooms	35.47-acre parcel of land valued at \$600,000	42,082,107
Otis School District No. R-3	PK-12 School 67,764 sq. ft. w/21 classrooms	13.45-acre parcel of land valued at \$62,852	21,148,269 <sup>(3)</sup>
Platte Valley School District No. RE3	Gym & weight room 19,273 sq. ft.	0.98-acre parcel of land valued at \$22	2,994,131 <sup>(3)(4)</sup>
Sheridan School District No. 2	Early childhood center <sup>(5)</sup> 129,927 sq. ft. w/49 classrooms	14,045-acre parcel of land valued at \$1,774,220	28,876,361 <sup>(4)</sup>
<b>Total:</b>			\$184,092,385

- (1) The 2012H Leased Property shown on this list, or any portion thereof, may be released and other property substituted therefor as described in "Substitution of Leased Property" under this caption. In some cases, the 2012H Leased Property is comprised of existing facilities which will not be wholly or partially financed with the proceeds of the Series 2012H Certificates.
- (2) As defined in the Glossary included in the form of 2012H Supplemental Indenture attached as **Appendix B** hereto.
- (3) These amounts include, entirely or in part (in the case of renovations or additions), the valuation of existing buildings on the Leased Property based on a determination by the Colorado School District Self Insurance Pool, the Participating K-12 Institution's private carrier or the State and have not been determined or confirmed by any third party evaluation. New construction value is equal to the amount deposited to the related Project Account, Allocated Investment Earnings (as defined in the Glossary included in the form of 2012H Supplemental Indenture attached as **Appendix B** hereto) and amounts that may be withdrawn from the Assistance Fund to fund construction of the related Project.
- (4) The entire Project Account for this Participating K-12 Institution is not included in the Fair Market Value because only a portion of the property improved pursuant to a Project is included in the 2012H Leased Property.
- (5) Restricted by deed to educational purposes. Accordingly, the ability of the Trustee to lease such Leased Property to third parties upon the occurrence of an Event of Nonappropriation or Event of Default and subsequent vacating of such property will be limited to Lessee's desiring to use the property for educational purposes. See "CERTAIN RISK FACTORS – Effect of a Nonrenewal of a Lease."

\* Preliminary, subject to change.

### *The 2012H Subleases and Matching Moneys*

In connection with the execution and delivery of the Series 2012H Certificates, the State and each of the Series 2012H Participating K-12 Institutions is entering into a 2012H Sublease pursuant to which each of such Series 2012H Participating K-12 Institutions, as Sublessee, will agree, in exchange for use of a portion of the 2012H Leased Property, to pay (subject to their right not to appropriate) all Additional Rent due under the 2012H Lease with respect to such portion of the 2012H Leased Property and the Series 2012H Certificates. The respective Series 2012H Participating K-12 Institution's obligations to pay such amounts under the 2012H Sublease are subject to annual appropriation by such Series 2012H Participating K-12 Institution. Pursuant to the 2012H Subleases, each of the Series 2012H Participating K-12 Institutions has agreed to maintain the respective 2012H Leased Property and to provide all insurance for such 2012H Leased Property as required by the 2012H Lease.

Certain Series 2012H Participating K-12 Institutions or their chartering entity have agreed to pay Matching Moneys to the State for credit to the Assistance Fund with respect to such Series 2012H Participating K-12 Institution's Project in the form of cash or principal of and interest on Matching Moneys Bonds. Neither the cash nor the Matching Money Bonds are subject to annual appropriation by the Series 2012H Participating K-12 Institution.

The obligations and rights of a Series 2012H Participating K-12 Institution and the State with respect to the Series 2012H Participating K-12 Institution's Matching Moneys Bonds are independent of the obligations of the Series 2012H Participating K-12 Institution, as Sublessee, and the rights of the State under the 2012H Subleases and, except as otherwise specifically provided in the related 2012H Sublease, (a) the obligations of the Series 2012H Participating K-12 Institution or its chartering entity and the rights of the State with respect to the Series 2012H Participating K-12 Institution's obligations under the Matching Moneys Bonds will survive the termination of the 2012H Subleases and (b) no failure to perform or other action of the State with respect to the 2012H Subleases will affect the State's rights to enforce the obligations of the Series 2012H Participating K-12 Institutions or their chartering entity to make payments under their Matching Moneys Bonds.

**Matching Moneys and other amounts deposited in the Assistance Fund do not directly secure payment of the Series 2012H Certificates. Once Matching Moneys are deposited in the Assistance Fund, such amounts, together with other amounts on deposit therein, are available to be appropriated by the State to pay principal and interest on the Series 2012H Certificates or for other purposes permitted by the Act, including, without limitation, defraying the cost of Projects.**

### *Sublessee's Purchase Option*

Each Sublessee has the option to purchase all, but not less than all, of the 2012H Leased Property subject to its 2012H Sublease following the occurrence of an Event of Default or an Event of Nonappropriation under the 2012H Lease as described in the forms of 2012H Site Leases, 2012H Lease, 2012H Subleases and the Indenture attached hereto in **Appendix B**. A Sublessee would exercise such option by paying an amount equal to the principal amount of the Attributable Certificates through the closing date for the purchase of such Leased Property and to pay all Additional Rent payable through the date of conveyance of such Leased Property. The net proceeds from the exercise of such remedies are to be applied toward the payment of the Certificates under the Master Indenture, including the Series 2012H Certificates. In the 2012H Lease, the Trustee has agreed to notify each Sublessee of the occurrence of an Event of Default or Event of Nonappropriation under any 2012H Lease. **There can be no assurance that the Sublessee will exercise their right to purchase the Leased Property or that such proceeds will be sufficient to pay all of the principal due on the Series 2012H Certificates.**

### *Substitution of Leased Property*

The Sublessees are permitted by the respective 2012H Subleases to substitute other property for the respective 2012H Leased Property with the consent of the State and upon delivery of certain items, including a certification that the Fair Market Value of the substituted property is equal to or greater than the Fair Market Value of the 2012H Leased Property for which it is being substituted, a title insurance policy, a certificate regarding the useful life and essentiality of the substituted property, and an opinion of Bond Counsel to the effect that such substitution is permitted under the 2012H Lease and that such substitution will not cause the State or any sublessee to violate the State's tax covenant set forth in Section 9.04 of the 2012H Lease or the Series 2012H Participating K-12 Institution's tax covenant set forth in Section 10.04 of the 2012H Subleases. See Sections 9.04 and 10.04 in the form of 2012H Subleases in **Appendix B**. Furthermore, the State is permitted under the 2012H Lease to substitute other property for certain 2012H Leased Property so long as, following the substitution, either (i) the Fair Market Value of the substituted property determined as of the date of substitution is equal to or greater than the Fair Market Value of the 2012H Leased Property for which it is being substituted, or (ii) all of the Leased Property has a Fair Market Value at least equal to 90% of the principal amount of all Outstanding Certificates and the Trustee receives adequate title insurance documentation, a certificate as to the useful life and essentiality of the substituted property and an opinion of Bond Counsel that such substitution will not cause the State to violate its tax covenant set forth in Section 9.04 of the 2012H Lease. The State's certification as to the value may be given based and in reliance upon certifications by the Sublessees and the certifications as to useful life and essentiality may also be provided by the Sublessees.

### *Insurance*

The 2012H Leased Property is required to be insured by the Series 2012H Participating K-12 Institutions as described in "CERTAIN RISK FACTORS – Insurance of the Leased Property," and the insurance proceeds are required to be applied by the Trustee as described in the form of the 2012H Lease "- Damage, Destruction and Condemnation," in **Appendix B**. Pursuant to the 2012H Subleases, the Series 2012H Participating K-12 Institutions will undertake to provide such insurance with respect to the respective 2012H Leased Property as required by the 2012H Lease. See "The 2012H Subleases and Matching Moneys" under this caption.

### **Federal Direct Payments**

The State elected to designate the Series 2010B Certificates and the Series 2010E Certificates as "Build America Bonds" for purposes of the Recovery Act and to receive federal direct payments (the "**Build America Federal Direct Payments**"). The State has further elected to designate the Series 2010D Certificates as "Qualified School Construction Bonds" under Section 54F of the Code and has made an irrevocable election under the Code so that the State will receive federal direct payments (the "**Qualified School Construction Federal Direct Payments**" and together with the Build America Federal Direct Payments, the "**Federal Direct Payments**") from the United States Treasury in connection therewith.

The Federal Direct Payments, to the extent received from the United States Treasury and deposited with the Trustee on behalf of the State, and in accordance with the terms of the CRRFA, will be netted against, and reduce, the interest portion of the gross Base Rent due each Fiscal Year from the State under the related Lease. The amount of Base Rent to be included in the annual budget proposal submitted to the Colorado General Assembly pursuant to the terms of the Leases, however, will be the gross Base Rent not reduced by the Federal Direct Payments. See "CERTAIN RISK FACTORS – Federal Direct Payments." To the extent any moneys in the Principal Account or Interest Account of the Certificate Fund are not held to pay the redemption price of Certificates for which a notice of redemption has been

delivered, such moneys will be applied as a reduction of the budgeted Base Rent. If any such budget proposal includes an amount exceeding the Maximum Annual Lease Payments permitted under the Act, a request shall be made of the Colorado General Assembly to modify such Maximum Annual Lease Payments prior to submitting a budget proposal which includes an amount equal to the gross Base Rent not reduced by the Federal Direct Payments. See “PLAN OF FINANCING – The Program” for discussion of the Maximum Annual Lease Payments.

The Budget Control Act of 2011 (the “**2011 Federal Budget Act**”) passed by the U.S. Congress requires the enactment of a plan to reduce the federal deficit by \$1.2 trillion over a ten-year period. If such enactment does not take place, the 2011 Federal Budget Act requires automatic budget cuts referred to as “sequestration” to go into effect on January 2, 2013. As of the date of this Official Statement, a federal deficit reduction plan has not been enacted. On September 14, 2012, the federal Office of Management and Budget (the “**OMB**”) released a report (the “**OMB Report**”) to Congress regarding the implementation of the sequestration provisions of the 2011 Federal Budget Act. According to the OMB Report, a 7.6% cut will be made to Federal Direct Payments in federal fiscal year 2013 (October 1, 2012 to September 30, 2013) if sequestration goes into effect. The Co-Financial Advisors have estimated that if the 7.6% reduction outlined in the OMB Report was to go into effect, the annual reduction of Federal Direct Payments to the State released to the Certificates would be no greater than 2% of the current annual Base Rent payable in federal fiscal year 2013 and would not cause the Maximum Annual Lease Payments permitted under the Act to be exceeded. According to the OMB Report, all of the estimated reductions are preliminary and the actual reductions may vary from those indicated in the OMB Report as a result of changes in law and ongoing legal, budgetary and technical analysis. It is unclear whether sequestration will in fact be implemented for federal fiscal year 2013 and whether Federal Direct Payments will be affected after federal fiscal year 2013.

## **CERTAIN RISK FACTORS**

THE PURCHASE AND OWNERSHIP OF THE SERIES 2012H CERTIFICATES ARE SUBJECT TO CERTAIN RISKS. EACH PROSPECTIVE INVESTOR IN THE SERIES 2012H CERTIFICATES SHOULD READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY, GIVING PARTICULAR ATTENTION TO THE FACTORS DESCRIBED BELOW WHICH, AMONG OTHERS, COULD AFFECT THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2012H CERTIFICATES AND COULD ALSO AFFECT THE MARKET PRICE OF THE SERIES 2012H CERTIFICATES TO AN EXTENT THAT CANNOT BE DETERMINED.

### **Option to Renew the Leases Annually**

The obligation of the State, as lessee, to make payments under the Leases (including the 2012H Lease) does not constitute an obligation of the State to apply its general resources beyond the current fiscal year. **The State is not obligated to pay Base Rent or Additional Rent under the Leases unless funds are appropriated by the Colorado General Assembly each year, notwithstanding the fact that sufficient funds may or may not be on deposit in the Assistance Fund or otherwise may be available for transfer from any other source.** If, on or before June 30 of each Fiscal Year, the Colorado General Assembly does not specifically appropriate amounts sufficient to pay all Base Rent and Additional Rent, as estimated, for the next Fiscal Year, then an “Event of Nonappropriation” will occur. If an Event of Nonappropriation occurs, as described above or otherwise as provided in the Leases (including the 2012H Lease), the Lease Term of the 2012H Lease will be terminated. Notwithstanding the foregoing, an Event of Nonappropriation shall not be deemed to occur if, on or before August 15 of the next ensuing Fiscal Year, (i) the Colorado General Assembly has appropriated or otherwise authorized the expenditure of amounts sufficient to avoid an Event of Nonappropriation and (ii) the State has paid all Rent due during

the period from June 30 through the date of such appropriation or authorization. See the form of 2012H Lease “– Event of Nonappropriation,” in **Appendix B**.

There is no assurance that the State will renew the Leases from fiscal year to fiscal year and therefore not terminate the Leases, and the State has no obligation to do so. There is no penalty to the State (other than loss of the use of the Leased Property for itself and, unless the purchase option under a 2012H Sublease has been exercised, the Series 2012H Participating K-12 Institutions) if the State does not renew the Leases on an annual basis and therefore terminates all of its obligations under the Leases (including the 2012H Lease). Various political and economic factors could lead to the failure to appropriate or budget sufficient funds to make the required payments under the Leases, and prospective investors should carefully consider any factors which may influence the budgetary process. The appropriation of funds may be affected by the continuing need of the State or the Series 2012H Participating K-12 Institutions for the Leased Property (including the 2012H Leased Property). In addition, the ability of the State to maintain adequate revenues for its operations and obligations in general (including obligations associated with the 2012H Lease) is dependent upon several factors outside the State’s control, such as the economy, legislative changes and federal funding. Restrictions imposed under the State Constitution on the State’s revenues and spending apply to the collection and expenditure of certain revenues which may be used to pay Base Rent and Additional Rent, and also may impact the ability of the State to appropriate sufficient funds to pay Base Rent and Additional Rent each year. See “SECURITY AND SOURCES OF PAYMENT,” “STATE FINANCIAL INFORMATION” and **Appendices E and F** hereto.

Payment of the principal of and interest, if any, on the Certificates (including the Series 2012H Certificates) upon the occurrence of an Event of Lease Default or an Event of Nonappropriation will be dependent upon (1) the value of the Leased Property in a liquidation proceeding instituted by the Trustee or (2) any rental income from leasing (to others) the Leased Property. See “Effect of a Nonrenewal of the Leases” under this caption.

The State is not permitted to renew any of the Leases with respect to less than all of the Leased Property. Accordingly, a decision not to renew any Lease (including the 2012H Lease) would mean the loss of the use of all of the Leased Property by the State. However, each of the Series 2012H Participating K-12 Institutions which is a Sublessee has the right to exercise a purchase option under its respective 2012H Sublease in order to purchase and retain the right to use its portion of the 2012H Leased Property in the event that the State chooses not to appropriate and thereby terminate the Leases (including the 2012H Lease). See “SECURITY AND SOURCES OF PAYMENT – The Leased Property.”

The Trustee, as Lessor or Trustee, has no obligation to, nor will it make any payment on the Certificates or otherwise pursuant to the Leases except to the extent of amounts in the Trust Estate under the Indenture.

### **Effect of a Nonrenewal of a Lease**

#### *General*

In the event of nonrenewal of the State’s obligations under any of the Leases upon the occurrence of an Event of Nonappropriation or an Event of Default under such Lease, the State is required to vacate the Leased Property under the Leases and the Sublessees are required to vacate the respective Leased Property being used under the Subleases (unless the purchase option under any Sublease has been exercised by any Series 2012H Participating K-12 Institution) within 90 days. The Subleases will automatically terminate upon any nonrenewal of any Lease by the State. Subject to the right of the respective Sublessees to purchase the Leased Property under the Subleases, the Trustee may proceed to

lease the Leased Property or any portion thereof, including the sale of an assignment of the Trustee's interest under the Site Leases, or exercise any other remedies available to the Trustee for the benefit of the Owners and may exercise one or any combination of the remedies available upon default as provided in the Indenture and the Leases. The Leases place certain limitations on the availability of money damages against the State as a remedy. For example, the Leases provide that a judgment requiring a payment of money may be entered against the State by reason of an Event of Nonappropriation only to the extent the State fails to vacate the Leased Property as required by the related Lease and only as to certain liabilities as described in such Lease. All property, funds and rights acquired by the Trustee upon the nonrenewal of any Lease, along with other moneys then held by the Trustee under the Indenture (with certain exceptions as provided in the Leases and the Indenture), are required to be used to redeem the Certificates, if and to the extent any such moneys are realized. See the form of 2012H Lease – "Events of Default" and "– Remedies on Default" in **Appendix B** and "THE SERIES 2012H CERTIFICATES – Redemption – Extraordinary Redemption."

**The moneys derived by the Trustee from the exercise of the remedies described above may be less than the aggregate principal amount of the Outstanding Certificates and accrued interest thereon. If any Certificates are redeemed subsequent to a termination of any Lease for an amount less than the aggregate principal amount thereof and accrued interest thereon, such partial payment will be deemed to constitute a redemption in full of such Certificates pursuant to the Master Indenture and applicable series indenture; and upon such a partial payment, no owner of any Certificate (including any Series 2012H Certificate) will have any further claims for payment upon the State, the Trustee, or the Participating K-12 Institutions.**

#### *Factors Affecting Value of Leased Property*

A potential purchaser of the Series 2012H Certificates should not assume that it will be possible to sell, lease or sublease the Leased Property or any portion thereof after a termination of the Lease Term for an amount equal to the aggregate principal amount of the Certificates then Outstanding plus accrued interest thereon. This may be due to the inability to recover certain of the costs incurred in connection with the execution and delivery of the Certificates, the construction of the Projects or the acquisition of the Leased Property. The valuation of the Leased Property has not been based on any independent third party appraisal or evaluation. See "SECURITY AND SOURCES OF PAYMENT – The Leased Property." To the extent Leased Property constitutes Projects financed by Outstanding Certificates and such Projects are partially constructed, the Trustee's ability to liquidate such Leased Property may be hindered. The value of the Leased Property could also be adversely affected by the presence, or even by the alleged presence of, hazardous substances. Present or future zoning requirements, restrictive covenants or other land use regulations may also restrict use of the Leased Property. Further, a considerable amount of Leased Property is located in areas of the State with lower population and commercial densities, which could have a detrimental effect on the Trustee's efforts to liquidate such properties. The Sublessees and the State may also substitute other property for certain Leased Property as described in "SECURITY AND SOURCES OF PAYMENT – The Leased Property – Substitution of Leased Property."

As described under "SECURITY AND SOURCES OF PAYMENT – The Leased Property," the Trustee may only be able to lease certain Leased Property to a lessee that will continue to use it for educational purposes. Such restriction may limit the Trustee's ability to obtain lease revenues for Owners in the event of nonrenewal of the State's obligations under the related Lease.

**Upon termination of any Lease, there is no assurance of any payment of the principal of Series 2012H Certificates by the State or the Trustee.**

Payment of the principal of and interest on the Series 2012H Certificates and the Prior Certificates is paid from the State's payment of the Base Rent and other sources identified in "SECURITY AND SOURCES OF PAYMENT," which sources do not include any payments generated from the Leased Property, other than the Base Rent. The State is not permitted to renew the Leases or any of them (including the 2012H Lease) with respect to less than all of the Leased Property. Accordingly, a decision not to renew any Lease would mean the loss of the use by the State of all of the Leased Property. An Event of Default or Event of Nonappropriation by a Participating K-12 Institution under its Sublease is not an Event of Default or Event of Nonappropriation under the Leases and does not affect the State's obligation to pay Base Rent. Investors should be aware that value of the Leased Property could be affected if there are design or construction defects in any of the Subject Buildings.

### **Federal Direct Payments**

Federal Direct Payments, to the extent received by the State from the United States Treasury and held by the Trustee on behalf of the State, are required under the Indenture to be deposited in the Interest Account of the Certificate Fund to net against and reduce the gross Base Rent payable by the State each Fiscal Year under the related Lease.

No assurances are provided that the State or the Trustee will receive Federal Direct Payments. The amount of any Federal Direct Payment is subject to legislative changes by Congress. See "SECURITY AND SOURCES OF PAYMENT – Federal Direct Payments" for a discussion of the potential impact of sequestration under the 2011 Federal Budget Act on the receipt of Federal Direct Payments. Further, Federal Direct Payments will only be paid if the Series 2010D Certificates qualify as "Specified Tax Credit Bonds" and the Series 2010B Certificates and the Series 2010E Certificates qualify as "qualified bonds" and "Build America Bonds" within the meaning of the Recovery Act. To satisfy such qualifications, the State and the relevant Participating K-12 Institutions must comply with certain covenants and the State and the relevant Participating K-12 Institutions must establish certain facts and expectations with respect to the Series 2010B Certificates, Series 2010D Certificates and Series 2010E Certificates, the use and investment of proceeds thereof and the use of property financed thereby.

There are currently no procedures for requesting a Federal Direct Payment after the 45<sup>th</sup> day prior to an interest payment date; therefore, if the request for a Federal Direct Payment is not filed in a timely fashion, it is possible that the State will never receive such Federal Direct Payment. In addition, Federal Direct Payments are subject to offset against certain amounts that may, for unrelated reasons, be owed by the State to an agency of the United States of America. The amount expected to be appropriated each year by the State for payment of Base Rent is the gross Base Rent not reduced by the Federal Direct Payments under the related Lease. See "SECURITY AND SOURCES OF PAYMENTS – Sources of Payment."

If the Trustee leases the Leased Property to a non-governmental entity as a result of an Event of Nonappropriation or Event of Default and the Series 2010B Certificates, Series 2010D Certificates and Series 2010E Certificates remain outstanding, the Federal Direct Payments will no longer be paid by the United States Treasury because the requisite qualifications will no longer be satisfied.

The IRS has implemented an examination program for obligations such as the Series 2010B Certificates, Series 2010D Certificates and the Series 2010E Certificates that qualify for direct federal subsidies, and no assurance can be given that such Certificates will not be selected by the IRS for examination. In the event the IRS files a proposed adverse determination letter as a result of such an examination, announced IRS policy is to suspend payment of the Federal Direct Payments pending a final determination of the qualification of the Series 2010B Certificates, Series 2010D Certificates or the Series 2010E Certificates, as may be applicable, for eligibility to receive Federal Direct Payments. Furthermore,

in certain circumstances, the Federal Direct Payments may be reduced (offset) by amounts determined to be applicable under the Code and regulations promulgated thereunder. For example, offsets may occur by reason of any past-due legally enforceable debt of the State to any federal agency. The amount of any such offsets is not predictable by the State.

### **Enforceability of Remedies**

Under the Leases, the Trustee has the right to take possession of and dispose of the Leased Property upon an Event of Nonappropriation or an Event of Default. However, the enforceability of the Leases is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights, and the police powers of the State. Because of the inherent police power of the State, a court in any action brought to enforce the remedy of the Trustee to take possession of the Leased Property may delay repossession for an indefinite period, even though the Lessee may be in default under a Lease. The right of the Trustee to obtain possession of the Leased Property and to sell, lease or sublease portions of the Leased Property could be delayed until appropriate alternative space is obtained by the relevant Participating K-12 Institutions. As long as the Trustee is unable to take possession of the Leased Property, it will be unable to sell or re-lease the Leased Property as permitted under the Leases and the Indenture or to redeem or pay the Series 2012H Certificates except from funds otherwise available to the Trustee under the Indenture. See "SECURITY AND SOURCES OF PAYMENT."

### **Effects on the Series 2012H Certificates of a Nonrenewal Event**

Bond Counsel has expressed no opinion as to the effect of any termination of the State's obligations under the 2012H Lease under certain circumstances as provided in the 2012H Lease, upon the treatment for federal or State income tax purposes of any moneys received by the Owners of the Series 2012H Certificates subsequent to such termination. See "TAX MATTERS." If the 2012H Lease is terminated and the subject property is re-let to a lessee that is not a governmental entity, there is no assurance that the Series 2012H Certificates will be transferable without registration, or a transactional exemption from registration, under the federal securities law following the termination of the 2012H Lease.

### **Insurance of the Leased Property**

The Subleases require that the Participating K-12 Institutions shall pay as Additional Rent, all of the expenses with respect to casualty and property damage insurance with respect to the Leased Property subject to their respective Subleases in an amount equal to the current replacement value of the Leased Property. The Subleases also require that the Participating K-12 Institutions shall pay as Additional Rent, all of the expenses with respect to public liability insurance with respect to the activities to be undertaken by the Participating K-12 Institutions in connection with the Leased Property subject to their respective Subleases and the Leases: (1) to the extent such activities result in injuries for which immunity is available under the Colorado Governmental Immunity Act, C.R.S. § 24-10-101 et seq. or any successor statute, in an amount not less than the amounts for which the State and the Participating K-12 Institutions may be liable to third parties thereunder and (2) for all other activities, in an amount not less than \$1,000,000 per occurrence. The Leases require the State to make the same Additional Rent payments with respect to insurance but permits the State, in its discretion, to have the required insurance coverage provided by the State or the Participating K-12 Institutions and to have such required insurance provided under blanket insurance policies or through the Colorado School District's Self Insurance Program, in the case of the Colorado School for the Deaf and Blind, the State's risk management program or, with the State's consent, the Participating K-12 Institution's risk management program. The insurance required by the Leases will be provided by the Participating K-12 Institutions pursuant to the Colorado School

District Self Insurance Program, in the case of the Colorado School for the Deaf and Blind, the State's risk management program or, with the State's consent, the Participating K-12 Institution's independent risk management program, if any. See "LITIGATION AND SOVEREIGN IMMUNITY – Self Insurance." There is no assurance that, in the event the Lease is terminated as a result of damage to or destruction or condemnation of the related Leased Property, moneys made available by reason of any such occurrence will be sufficient to redeem the Series 2012H Certificates at a price equal to the principal amount thereof outstanding. See "THE SERIES 2012H CERTIFICATES – Redemption."

### **Actions Under the Subleases**

Although the State's payment of Rent under the Leases will not depend or be conditioned upon payment of Rent, if any, under the Subleases, certain actions by the Participating K-12 Institutions in respect of the related Leased Property or Project could have an adverse effect on the interests of the owners of the Series 2012H Certificates. For example, failure to operate or maintain the Leased Property under a related Sublease in accordance with the terms thereof could diminish the value of that Leased Property; if, for whatever reason, such Lease terminates or the Trustee exercises re-letting or sale remedies thereunder, that diminished value could adversely affect the Trustee's ability to recoup rentals or obtain a sale price sufficient to pay Certificate principal or to redeem the full Certificate principal, as the case may be. Violations of environmental laws similarly could diminish the re-letting or sale value of the subject Leased Property, and could lead to statutory remedies under applicable federal and state laws. Failure by a Participating K-12 Institution to obtain the casualty and property insurance policies required by the applicable Sublease could limit the principal amount of Series 2012H Certificates redeemed upon the damage or destruction of the subject Leased Property under certain circumstances. In addition, while the State expects that Certificate principal and interest will be paid from funds other than moneys derived from payments in respect of property used in a private trade or business, and also expects that the Leased Property will be used by Participating K-12 Institutions, which are governmental units, use of the Projects financed with Series 2012H Certificate proceeds by private persons or businesses, within the meaning of applicable tax law, could adversely affect the federal tax treatment of Series 2012H Certificates.

### **State Budgets and Revenue Forecasts**

The State relies on revenue estimation as the basis for budgeting and establishing aggregate funds available for expenditure for its appropriation process. By statute, the Governor's Office of State Planning and Budgeting ("OSP") is responsible for developing the General Fund revenue estimate. If the OSP forecast projects a budgetary shortfall in excess of one-half of the Unappropriated Reserve (as further described under "THE STATE OF COLORADO – Budget Process and Other Considerations – Revenues and Unappropriated Amounts") requirement for the current Fiscal Year, by statute the Governor is required to take certain budget balancing measures to ensure that the Unappropriated Reserve as of the close of such Fiscal Year will be at least one-half of the required amount. See **Appendix E** – "THE STATE GENERAL FUND – Revenue Estimation – Revenue Shortfalls" and "– OSP Revenue and Economic Forecasts." Additionally, the Colorado Legislative Council also prepares quarterly revenue forecasts which are released on the same dates as the OSP revenue forecasts.

The most recent OSP revenue forecast was issued on September 20, 2012 (the "**OSP September 2012 Revenue Forecast**") and is summarized in this Official Statement. See "STATE FINANCIAL INFORMATION" and **Appendix E** – "THE STATE GENERAL FUND – Revenue Estimation" and "– OSP Revenue and Economic Forecasts." The OSP September 2012 Revenue Forecast stated that the Unappropriated Reserve is expected to be fully funded. See **Appendix E** – "THE STATE GENERAL FUND – Revenue Estimation – Revenue Shortfall."

The next OSPB revenue forecast will be released in December 2012. General Fund revenue projections in the new forecast may be materially different from the September revenue forecast and may project an additional revenue shortfall. Due to the volatility in the State and national economies, OSPB's forecasts of General Fund revenues over the last several years have fluctuated from forecast to forecast, and in some cases have been significantly lower or higher than the immediately preceding forecast, and such volatility may be reflected in the December 2012 forecast. A revenue shortfall could adversely affect the State's ability to appropriate sufficient amounts to pay Base Rent in subsequent years. If a revenue shortfall is projected for Fiscal Year 2012-13 and subsequent forecasted years, which would result in a budgetary shortfall, budget cuts will be necessary to ensure the balanced budget. See APPENDIX C – The State General Fund.

Prospective investors are cautioned that any forecast is subject to uncertainties, and inevitably some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasted and actual results, and such differences may be material. No representation or guaranty is made herein as to the accuracy of the forecasts. See "FORWARD-LOOKING STATEMENTS."

The State's Fiscal Year budgets are not prepared on a cash basis, but rather are prepared using the modified accrual basis of accounting in accordance with the standards promulgated by the Governmental Accounting Standards Board ("GASB"), with certain statutory exceptions. The State could experience temporary and cumulative cash shortfalls as the result of differences in the timing of the actual receipt of revenues and payment of expenditures by the State compared to the inclusion of such revenues and expenditures in the State's Fiscal Year budgets on the modified accrual basis, which does not take into account the timing of when such amounts are received or paid. See "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations."

### **Control of Remedies**

Under the Indenture, the Owners of a majority in principal amount of all the Certificates then Outstanding have the right, at any time, to the extent permitted by law, to direct the Trustee to act or refrain from acting or to direct the manner or timing of any action by the Trustee under the Indenture or any Lease or Site Lease or to control any proceedings relating to the Indenture or any Lease or Site Lease; provided that such direction shall not be otherwise than in accordance with the provisions of the Indenture. See Section 7.06 of the Master Indenture attached in **Appendix B** hereto. The interests of Owners of the Series 2012H Certificates may vary from the interests of the Owners of other Series of Certificates for a variety of reasons.

### **Future Changes in Laws and Future Initiatives**

Various Colorado laws, including the Act, apply to the priority and allocation of rental income and royalties derived from State school lands, allocation of State lottery proceeds, availability of funds for appropriation by the State, and other operations of the State. In addition, State law allows voter initiatives meeting certain conditions to be placed on the ballot, which initiatives may involve statutory or constitutional amendments. There is no assurance that there will not be future voter initiatives or changes in, interpretation of, or additions to the applicable laws, provisions and regulations which would have a material effect, directly or indirectly, on the affairs of the State and its funds.

## THE STATE OF COLORADO

### General Profile

Colorado became the 38<sup>th</sup> state of the United States of America when it was admitted to the union in 1876. Its borders encompass 103,718 square miles of the high plains and the Rocky Mountains, with elevations ranging from 3,315 to 14,433 feet above sea level. The current population of the State is approximately five million. The State's major economic sectors include agriculture, manufacturing, technology, tourism, energy production and mining. Considerable economic activity is generated in support of these sectors by government, wholesale and retail trade, transportation, communications, public utilities, finance, insurance, real estate and other services. See also **Appendix A** – "STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011 AND STATE OF COLORADO UNAUDITED BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012" and **Appendix H** – "CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION" for additional information about the State.

### Organization

The State maintains a separation of powers utilizing three branches of government: executive, legislative and judicial. The executive branch comprises four major elected officials: the Governor, State Treasurer, Attorney General and Secretary of State. The chief executive power is allocated to the Governor, who has responsibility for administering the budget and managing the executive branch. The State Constitution empowers the State legislature, known as the General Assembly, to establish up to 20 principal departments in the executive branch. Most departments of the State report directly to the Governor; however, the Departments of Treasury, Law and State report to their respective elected officials, and the Department of Education reports to the elected State Board of Education. The elected officials serve four year terms. The current term of such officials commenced in January of 2011 and will expire on the second Tuesday in January, 2015. No elected executive official may serve more than two consecutive terms in the same office.

The General Assembly is bicameral, consisting of the 35-member Senate and 65-member House of Representatives. Senators serve a term of four years and representatives serve a term of two years. No senator may serve more than two consecutive terms, and no representative may serve more than four consecutive terms. The State Constitution allocates to the General Assembly legislative responsibility for, among other things, appropriating State moneys to pay the expenses of State government. The General Assembly meets annually in regular session beginning no later than the second Wednesday of January of each year. Regular sessions may not exceed 120 calendar days. Special sessions may be convened by proclamation of the Governor or by written request of two-thirds of the members of each house to consider only those subjects for which the special session is requested.

## STATE FINANCIAL INFORMATION

*It is important for prospective purchasers to analyze the financial and overall status of the State, including the Assistance Fund and the State General Fund, in order to evaluate the likelihood of an Event of Default or an Event of Nonappropriation. See "SECURITY AND SOURCES OF PAYMENT" and "CERTAIN RISK FACTORS." This section and the following section have been included to provide prospective purchasers with information relating to such matters. See also **Appendix A** – STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2011 AND STATE OF COLORADO UNAUDITED BASIC FINANCIAL STATEMENTS FOR*

*THE FISCAL YEAR ENDED JUNE 30, 2012,” Appendix E – “THE STATE GENERAL FUND,” Appendix F – “PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE FUND” and Appendix H – “CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION,” and Appendix I – STATE PENSION SYSTEM.” With the exception of Appendix H, the information in these sections and Appendices has been provided by the State. The information in Appendix H has been provided by Development Research Partners.*

## **The State Treasurer**

The State Constitution provides that the State Treasurer is to be the custodian of public funds in the State Treasurer’s care, subject to legislative direction concerning safekeeping and management of such funds. The State Treasurer is the head of the statutorily created Department of the Treasury (the “**State Treasury**”), which receives all State moneys collected by or otherwise coming into the hands of any officer, department, institution or agency of the State (except certain institutions of higher education). The State Treasurer deposits and disburses those moneys in the manner prescribed by law. Every officer, department, institution and agency of the State (except for certain institutions of higher education) charged with the responsibility of collecting taxes, licenses, fees and permits imposed by law and of collecting or accepting tuition, rentals, receipts from the sale of property and other moneys accruing to the State from any source is required to transmit those moneys to the State Treasury under procedures prescribed by law or by fiscal rules promulgated by the Office of the State Controller (the “**State Controller**”). The State Treasurer and the State Controller may authorize any department, institution or agency collecting or receiving State moneys to deposit such moneys to a depository to the State Treasurer’s credit in lieu of transmitting such moneys to the State Treasury

The State Treasurer has discretion to invest in a broad range of interest bearing securities described by statute. See “STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds” and **Appendix E** – “THE STATE GENERAL FUND – Investment of the State Pool.” All interest derived from the deposit and investment of State moneys must be credited to the General Fund unless otherwise expressly provided by law.

## **Taxpayer’s Bill of Rights**

### *The Constitutional Provision*

Article X, Section 20 of the State Constitution, commonly known as the Taxpayer’s Bill of Rights, or “**TABOR**,” imposes various fiscal limits and requirements on the State and its local governments. Overall, TABOR is a limitation on the amount of revenue that may be kept by the State in any particular year, regardless of whether that revenue is spent during the year. Any revenue received during a Fiscal Year in excess of the limitations provided for in TABOR (as adjusted by Referendum C – See “Taxpayer’s Bill of Rights – Colorado Economic Recovery Act of 2005”) must be refunded to the taxpayers during the next Fiscal Year. TABOR implements these revenue limitations through certain restrictions and limitations on spending, including the following:

(a) Prior voter approval is required for: (i) any increase in State “fiscal year spending” from one year to the next in excess of the percentage change in the U.S. Bureau of Labor Statistics Consumer Price Index for Denver, Boulder and Greeley, all items, all urban consumers, or its successor index, plus the percentage change in State population in the prior calendar year, adjusted for revenue changes approved by voters after 1991; and (ii) any new State tax, State tax rate increase, extension of an expiring State tax, State tax policy change directly causing a net revenue gain to the State or the creation of any State “multiple fiscal year direct or indirect ... debt or other financial obligation.” “Fiscal year spending” is defined as all

expenditures and reserve increases except those for refunds made in the current or next Fiscal Year or those from gifts, federal funds, collections for another government, pension contributions by employees and pension fund earnings, reserve transfers or expenditures, damage awards or property tax sales. This effectively defines spending as all revenues received by the State other than those items that are specifically excluded.

(b) If revenues received from sources not excluded from fiscal year spending exceed the prior Fiscal Year's spending plus the adjustment described in clause (a)(i) above, the excess must be refunded in the next Fiscal Year unless voters approve a revenue change.

(c) Under TABOR, the State must maintain an emergency reserve equal to 3% of its fiscal year spending (the "**TABOR Reserve**"). The TABOR Reserve may be expended only upon: (i) the declaration of a State emergency by passage of a joint resolution approved by a two-thirds majority of the members of both houses of the General Assembly and subsequently approved by the Governor; or (ii) the declaration of a disaster emergency by the Governor. The annual Long Appropriation Bill (the "**Long Bill**"), designates the resources that constitute the TABOR Reserve. For Fiscal Year 2011-12, such designated resources included portions of the Major Medical Insurance Fund, the Wildlife Cash Fund and the Unclaimed Property Tourism Promotion Trust Fund, plus up to \$98.8 million of designated State real property. The State's unaudited Fiscal Year 2011-12 Basic Financial Statements (the "**Fiscal Year 2011-12 Unaudited BFS**") appended to this Official Statement shows that the TABOR Reserve for Fiscal Year 2011-12, based on unaudited actual revenue, was approximately \$308.1 million, and included portions of the Major Medical Insurance Fund, the Wildlife Cash Fund and the Unclaimed Property Tourism Promotion Trust Fund, plus up to \$100 million of the State real property designated in the Long Bill for Fiscal Year 2011-12.

#### *Statutes Implementing TABOR*

A number of statutes implementing TABOR have been enacted by the General Assembly, including those that (i) define the revenues and spending included in the State's fiscal year revenue and spending for purposes of the revenue and spending limits of TABOR, (ii) specify the accounting treatment of refunds owed by the State under TABOR, and (iii) define State operations that qualify as "enterprises" excluded from TABOR.

#### *The "Ratchet Down" Effect of TABOR on State Revenues; Curative Measures*

As discussed above, TABOR limits year-to-year increases in revenues, and therefore spending, to the percentage change in the U.S. Bureau of Labor Statistics Consumer Price Index for Denver, Boulder and Greeley, all items, all urban consumers, or its successor index, plus the percentage change in State population in the prior calendar year, plus any voter approved revenue (*i.e.*, tax) increase. There are no provisions in TABOR to account for cyclical revenue swings. This originally produced a "ratchet down" effect whenever State revenues declined from one Fiscal Year to the next and then rebounded in subsequent years. The ratcheting down occurred as the result of the TABOR requirements that the State's revenue base be reduced to the lower amount, without limitation, but that the State's revenue base may be increased only to the extent of the limitations stated above, with any excess to be refunded. Such a ratcheting down occurred between Fiscal Years 2000-01 and 2002-03, when TABOR revenues declined by 13.1%, followed by an increase of 8.0% in Fiscal Year 2003-04. The same effect occurred between Fiscal Year 2007-08 and Fiscal Year 2009-10, but it did not result in subsequent required refunds because of Referendum C, which is discussed in Colorado Economic Recovery Act of 2005 below.

Legislation enacted during the 2002 legislative session, described in "The Growth Dividend" below, mitigated the "ratcheting down" effect of TABOR through the decennial census adjustment.

Referendum C, a statutory provision approved by the State’s voters on November 1, 2005 and described in “Colorado Economic Recovery Act of 2005” below, eliminated the “ratcheting down” of revenue available for expenditure by creating a new Excess State Revenue Cap and allowing the State to retain and spend revenue up to the new Excess State Revenue Cap (as adjusted) which new cap never ratchets down. See “Colorado Economic Recovery Act of 2005” below describing Referendum C. Revenue collected above the Excess State Revenue Cap (as adjusted) must be refunded to the taxpayers in the next Fiscal Year.

### *The “Growth Dividend”*

House Bill (“**HB**”) 02-1310 and SB 02-179 enabled the State to recoup refunds previously paid as the result of the TABOR limits having been computed during the 1990s using population estimates that were too low when compared to the 2000 census figure. This undercount resulted in lower TABOR limits and higher refunds than would have occurred using more accurate population figures. The percentage by which population was underestimated and the process for recovering the related excess refunds was called the “growth dividend.” Such legislation allowed the State to recoup the prior decade’s excess refunds by cumulatively increasing the spending limit in the current decade up to the growth dividend percentage over a period not to exceed nine years. The growth dividend was completely used before the expiration of the nine-year period through the elimination of the TABOR surplus in Fiscal Year 2003-04 and reduction of the TABOR surplus in Fiscal Year 2004-05. The adjustment allowed the State to keep \$283.3 million in additional revenue in Fiscal Year 2003-04 and \$187.2 million in Fiscal Year 2004-05.

The adjustment from the 2009 population estimate to the 2010 census was very small, which indicates that census population estimates in the decade were overstated rather than understated. The overstated population estimates did not cause under-refunding because Referendum C prevented refunds from 2006 to 2010 when the population growth estimates were large. As a result, there is no growth dividend for the 2000-2010 decade, and the TABOR limit and Excess State Revenue Cap created by Referendum C will be adjusted based on the actual population in a subsequent TABOR report.

### *Colorado Economic Recovery Act of 2005*

During the 2005 legislative session, the General Assembly and the Governor agreed to four pieces of legislation that mitigated the effects of TABOR in an effort to relieve State budget challenges. Three of these measures, collectively referred to herein as “The Colorado Economic Recovery Act of 2005,” were designed primarily to provide additional revenues for State operations, as well as to address the methodology for the allocation of additional revenues by subsequent appropriation. Implementation of two measures included in the Colorado Economic Recovery Act of 2005 required Statewide voter approval, and on November 1, 2005, one of these measures, referred to as “**Referendum C**,” was approved by State voters and later codified as Sections 24-77-103.6 and 24-77-106.5, C.R.S.

Referendum C permitted the State to retain and appropriate State revenues in excess of the then-current TABOR limit on State spending for the period of July 1, 2005, through June 30, 2010 (Fiscal Years 2005-06 through 2009-10), thus making all revenues received by the State during this period available for appropriation. Referendum C did not, however, eliminate the 6% limit on the annual growth of total appropriations from the General Fund. The 6% limit was eliminated for Fiscal Year 2009-10 and thereafter by SB 09-228. See “– Budget Process and Other Considerations – *Expenditures: The Balanced Budget and Statutory Spending Limitation*” below under this caption.

Referendum C establishes an “**Excess State Revenues Cap**” that serves as the new limit on State fiscal year spending beginning in Fiscal Year 2010-11. The Excess State Revenues Cap is an amount

equal to the highest total State revenues for a Fiscal Year from the period of Fiscal Year 2005-06 through Fiscal Year 2009-10. Since the highest total State revenues during this period were achieved during Fiscal Year 2007-08, the State revenues in such Fiscal Year became the base year for calculating the Excess State Revenue Cap. In each subsequent Fiscal Year, the Excess State Revenues Cap is adjusted for inflation and a percentage change in State population, as well as for the qualification or disqualification of enterprises. For purposes of the Excess State Revenues Cap, inflation, the percentage change in State population and the qualification or disqualification of an enterprise or debt service changes retain their meanings as they currently exist under TABOR and State law.

Referendum C also creates in the General Fund the “**General Fund Exempt Account**,” to consist of the moneys collected by the State in excess of the TABOR limit. Moneys in the General Fund Exempt Account, once appropriated, may be used to fund: (i) health care; (ii) public elementary, high school and higher education, including any related capital construction; (iii) retirement plans for firefighters and police officers if the General Assembly determines such funding to be necessary; and (iv) strategic transportation projects in the Colorado Department of Transportation (“**CDOT**”) Strategic Transportation Project Investment Program. HB 05-1350 specifies how moneys in the General Fund Exempt Account are to be appropriated or transferred under Referendum C.

Referendum C provides that, for each Fiscal Year that the State retains and spends State revenues in excess of the TABOR limit on State fiscal year spending, the Director of Research of the Colorado Legislative Council is to prepare by October 15<sup>th</sup> an excess State revenues legislative report that identifies the amount of excess State revenues retained by the State and describes how such excess State revenues have been expended. Referendum C requires that the report be published and made available on the official web site of the Colorado General Assembly. In addition, the Office of the State Controller is required to prepare a report each Fiscal Year that identifies revenues that the State is authorized to retain pursuant to Referendum C and to certify the same no later than September 1<sup>st</sup> following the end of the Fiscal Year.

As a result of Referendum C, in Fiscal Years 2005-06, 2006-07 and 2007-08 the State was allowed to retain \$1.116 billion, \$1.308 billion and \$1.169 billion, respectively, in excess of the TABOR limit on State fiscal year spending. State revenues did not exceed the TABOR limit in either Fiscal Year 2008-09 or Fiscal Year 2009-10, but exceeded the limit by \$770.6 million in Fiscal Year 2010-11. However, no refund was required because Fiscal Year 2010-11 spending was \$1,260.1 million below the Excess State Revenue Cap. The OSPB September 2012 Revenue Forecast calculates that, based on preliminary data, Fiscal Year 2011-12 spending exceeded the TABOR limit by \$1,469.1 million, but was \$602.4 million below the Excess State Revenue Cap. See “THE STATE GENERAL FUND – General Fund Overview” in **Appendix E**.

#### *Effect of TABOR on the Series 2012H Certificates*

Voter approval under TABOR is not required for the execution and delivery of the Series 2012H Certificates because the State’s obligations under the Leases are payable within any Fiscal Year only if amounts for such payments have been appropriated for such Fiscal Year, and, therefore, such obligations are not a “multiple fiscal year direct or indirect . . . debt or other financial obligation” within the meaning of TABOR.

#### **State Funds**

The principal operating fund of the State is the General Fund. All revenues and moneys not required by the State Constitution or statutes to be credited and paid into a special fund are required to be

credited and paid into the General Fund. See **Appendix E**. The State also maintains several statutorily created special funds for which specific revenues are designated for specific purposes.

## **Budget Process and Other Considerations**

### *Budget Process*

Phase I (Executive). The budget process begins in June of each year when State departments reporting to the Governor prepare both operating and capital budgets for the Fiscal Year beginning 13 months later. In August, these budgets are submitted to the OSPB, a part of the Governor's office, for review and analysis. The OSPB advises the Governor on departmental budget requests and overall budgetary status. Budget decisions are made by the Governor following consultation with affected departments and the OSPB. Such decisions are reflected in the first budget submitted in November by the Governor to the Joint Budget Committee of the General Assembly (the "**JBC**"), as described below. In January, the Governor makes additional budget recommendations to the JBC for the budget of all branches of the State government, except that the elected executive officials, the judicial branch and the legislative branch also make recommendations to the JBC for their own budgets.

Phase II (Legislative). The JBC, consisting of three members from each house of the General Assembly, develops the legislative budget proposal embodied in the Long Appropriation Bill (the "**Long Bill**") which is introduced in and approved by the General Assembly. Following receipt of testimony by State departments and agencies, the JBC marks up the Long Bill and directs the manner in which appropriated funds are to be spent. The Long Bill includes: (i) General Fund appropriations, supported by general purpose revenue such as taxes; (ii) General Fund Exempt appropriations primarily funded by TABOR-exempt or excess TABOR revenues retained under Referendum C; (iii) cash fund appropriations supported primarily by grants, transfers and departmental charges for services; (iv) reappropriated amounts funded by transfers and earnings appropriated elsewhere in the Long Bill; and (v) estimates of federal funds to be expended that are not subject to legislative appropriation. The Long Bill usually is reported to the General Assembly in March or April with a narrative text. Under current practice, the Long Bill is reviewed and debated in party caucuses in each house. Amendments may be offered by each house, and the JBC generally is designated as a conference committee to reconcile differences. The Long Bill always has been adopted prior to commencement of the Fiscal Year in July. Specific bills creating new programs or amending tax policy are considered separately from the Long Bill in the legislative process. The General Assembly takes action on these specific bills, some of which include additional appropriations separate from the Long Bill. The Long Bill for Fiscal Year 2012-13 was adopted by the General Assembly on April 26, 2012.

Phase III (Executive). The Governor may approve or veto the Long Bill or any specific bills. In addition, the Governor may veto line items in the Long Bill or any other bill that contains an appropriation. The Governor's vetoes are subject to override by a two thirds majority of each house of the General Assembly. The Long Bill for Fiscal Year 2012-13 was approved and signed by the Governor on May 7, 2012.

Phase IV (Legislative). During the Fiscal Year for which appropriations have been made, the General Assembly may increase or decrease appropriations through supplemental appropriations. Any supplemental appropriations are considered amendments to the Long Bill and are subject to the line item veto of the Governor.

### *Revenues and Unappropriated Amounts*

For each Fiscal Year, a statutorily defined amount of unrestricted General Fund year-end balances is required to be retained as a reserve (the “**Unappropriated Reserve**”), which Unappropriated Reserve may be used for possible deficiencies in General Fund revenues. Unrestricted General Fund revenues that exceed the required Unappropriated Reserve, based upon revenue estimates, are then available for appropriation. In response to economic conditions and their effect on estimated General Fund revenues, the General Assembly periodically modifies the required amount of the Unappropriated Reserve. Per SB 09-219 and SB 09-277, the Unappropriated Reserve for Fiscal Years 2008-09 and 2009-10 was reduced from previously designated 4.0% to 2.0% of the amount appropriated for expenditure from the General Fund in each such Fiscal Year. The Unappropriated Reserve for Fiscal Year 2010-11 and Fiscal Year 2011-12 increased to 2.3% and 4.0%, respectively, of the amount appropriated for expenditure from the General Fund in such Fiscal Years.

The State’s unaudited Fiscal Year 2011-12 Basic Financial Statements (“**BFS**”) show that the State ended such Fiscal Year with \$582.3 million in General Fund Surplus, which is in excess of the required 4.0% Unappropriated Reserve level. The OSPB September 2012 Revenue Forecast projects that the State will end Fiscal Year 2012-13 with reserves equal to \$717.1 million above the 4.0% Unappropriated Reserve requirement. Per HB 12-1338, \$59.0 million of Fiscal Year 2011-12 excess reserves were transferred to the State Education Fund and the balance was carried forward and became part of the beginning Fiscal Year 2012-13 fund balance, and all of the Fiscal Year 2012-13 excess reserves are required to be transferred to the State Education Fund.

### *Expenditures: The Balanced Budget and Statutory Spending Limitation*

The State Constitution requires that expenditures for any Fiscal Year not exceed available resources for such Fiscal Year. Total unrestricted General Fund appropriations for each Fiscal Year are limited as provided in Section 24-75-201.1, C.R.S. For the Fiscal Years discussed in this Official Statement, total General Fund appropriations were limited to: (i) such moneys as are necessary for reappraisals of any class or classes of taxable property for property tax purposes as required by Section 39-1-105.5, C.R.S., plus (ii) the lesser of (a) an amount equal to 5% of Colorado personal income (as reported by the U.S. Bureau of Economic Analysis for the calendar year preceding the calendar year immediately preceding a given Fiscal Year) or (b) an amount equal to 106% of General Fund appropriations for the previous Fiscal Year. Per SB 09-228, for Fiscal Years 2009-10 and thereafter, total General Fund appropriations are limited to the sum of the amount stated in (i) above plus an amount equal to 5% of Colorado personal income.

Excluded from this appropriations limit are: (i) any General Fund appropriation that, as a result of any requirement of federal law, is made for any new program or service or for any increase in the level of service for any existing program beyond the existing level of service; (ii) any General Fund appropriation that, as a result of any requirement of a final State or federal court order, is made for any new program or service or for any increase in the level of service for an existing program beyond the existing level of service; or (iii) any General Fund appropriation of any moneys that are derived from any increase in the rate or amount of any tax or fee that is approved by a majority of the registered electors of the State voting at any general election.

The limitation on the level of General Fund appropriations may also be exceeded for a given Fiscal Year upon the declaration of a State fiscal emergency by the General Assembly, which may be declared by the passage of a joint resolution approved by a two-thirds majority vote of the members of both houses of the General Assembly and approved by the Governor.

See “Taxpayer’s Bill of Rights” above for a discussion of spending limits imposed on the State by TABOR and changes to these limits as the result of the approval of Referendum C.

#### *Fiscal Year Spending and Emergency Reserves*

Through TABOR, the State Constitution imposes restrictions on increases in fiscal year spending without voter approval and requires the State to maintain a TABOR Reserve. See “Taxpayer’s Bill of Rights” under this caption for a discussion of the effects of the State Constitution on the State’s financial operations.

### **Fiscal Controls and Financial Reporting**

No moneys may be disbursed to pay any appropriations unless a commitment voucher has been prepared by the agency seeking payment and submitted to the central accounting system, which is managed by the Office of the State Controller, a division of the Department of Personnel & Administration. The State Controller is the head of the Office of the State Controller Office and the State Controller or his delegate has statutory responsibility for reviewing each commitment voucher submitted to determine whether the proposed expenditure is authorized by appropriation and whether the appropriation contains sufficient funds to pay the expenditure. All payments from the State Treasury are made by warrants signed by the State Controller and countersigned by the State Treasurer, or by electronic funds transfer. The signature of the State Controller on a warrant is full authority for the State Treasurer to pay the warrant upon presentation.

The State Controller is appointed by the Executive Director of the Department of Personnel & Administration. Except for certain institutions of Higher Education which have elected to establish their own fiscal rules, the State Controller has statutory responsibility for coordinating all procedures for financial administration and financial control in order to integrate them into an adequate and unified system, conducting all central accounting and issuing warrants for payment of claims against the State. The State Controller prepares a comprehensive annual financial report (“**CAFR**”) in accordance with generally accepted accounting principles (“**GAAP**”) applicable to governmental entities, with certain statutory exceptions for budget reporting.

### **Basis of Accounting**

For a detailed description of the State’s basis of accounting, see Note 5 to the financial statements in the State’s Fiscal Year 2010-11 CAFR appended to this Official Statement as part of **Appendix A**.

### **Basis of Presentation of Financial Results and Estimates**

The financial reports and financial schedules contained in this Official Statement are based on principles that may vary based on the requirements of the report or schedule. The fund level financial statements and revenue estimates are primarily prepared on the modified accrual basis of accounting. Revenue estimates are prepared for those revenues that are related primarily to the general taxing powers of the State, and to a lesser degree include intergovernmental transactions, charges for services and receipts from the federal government. The General Fund as defined in the financial statements includes revenues and expenditures for certain special cash receipts that are related to fees, permits and other charges rather than to the general taxing power of the State.

### **Financial Audits**

Financial and post-performance audits of all State agencies are performed by the State Auditor (the “**Auditor**”) through the Auditor’s staff as assisted by independent accounting firms selected solely by

the Auditor. The Auditor is an employee of the legislative branch and is appointed for a term of five years by the General Assembly based on the recommendations of the Legislative Audit Committee of the General Assembly. The present Auditor has been appointed to a term expiring on June 30, 2016. The Legislative Audit Committee is comprised of members of both houses of the General Assembly and has responsibility to direct and review audits conducted by the Auditor.

The State's Fiscal Year 2010-11 CAFR, including the State Auditor's Opinion thereon, and the State's unaudited Fiscal Year 2011-12 BFS are appended to this Official Statement as **Appendix A**. The State's CAFR for the Fiscal Year Ended June 30, 2012 is expected to be released to the public by the State and be available on or about December 31, 2012. The Office of the State Auditor, being the State's independent auditor, has not been engaged to perform and has not performed since the date of the State Auditor's report included herein, any procedures on the financial statements presented in the Fiscal Year 2010-11 CAFR or on the Fiscal Year 2011-12 BFS, nor has the State Auditor performed any procedures relating to this Official Statement.

### **Investment and Deposit of State Funds**

The State Treasurer is empowered by Articles 36 and 75 of Title 24, C.R.S., as well as other State statutes, to invest State funds in certain U.S. public and non-public fixed income securities. In making such investments, the State Treasurer is to use prudence and care to preserve the principal and to secure the maximum rate of interest consistent with safety and liquidity. The State Treasurer is also required to formulate investment policies regarding the liquidity, maturity and diversification appropriate to each Fund or pool of funds in the State Treasurer's custody available for investment. In accordance with this directive, the State Treasurer has developed standards for each portfolio to establish the asset allocation, the level of liquidity, the credit risk profile, the average maturity/duration and performance monitoring measures appropriate to the public purpose and goals of each Fund.

The State Treasurer is also authorized to deposit State funds in national or state chartered banks and savings and loan associations having a principal office in the State and designated as an eligible public depository by the State Banking Board or the State Commissioner of Financial Services, respectively. To the extent that the deposits exceed applicable federal insurance limits, they are required to be collateralized with eligible collateral (as defined by statute) having a market value at all times equal to at least 100% of the amount of the deposit that exceeds federal insurance (102% for banks).

See also Notes 14 and 15 to both the State's Fiscal Year 2010-11 CAFR and the unaudited Fiscal Year 2011-12 BFS appended to this Official Statement as part of **Appendix A** and **Appendix E** – "THE STATE GENERAL FUND – Investment of the State Pool."

## **DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS**

### **The State, State Departments and Agencies**

The State Constitution prohibits the State from incurring debt except for limited purposes, for limited periods of time and in inconsequential amounts. The State courts have defined debt to mean any obligation of the State requiring payment out of future years' general revenues. Accordingly, the State currently has no outstanding general obligation debt.

The State has entered into lease-purchase agreements, including some providing security for outstanding certificates of participation, in order to finance various public projects. The obligations of the State to make lease payments beyond any current Fiscal Year are contingent upon appropriations by the General Assembly. At June 30, 2012, the minimum lease payments due under lease-purchase agreements

entered into by the State were estimated to be \$101.41 million in Fiscal Year 2012-13. See Notes 24 and 43 to the State's unaudited Fiscal Year 2011-12 BFS appended to this Official Statement as **Appendix A** for a discussion of the State's notes and bonds payable and material subsequent events that occurred after June 30, 2012, but before publication of the Fiscal Year 2011-12 BFS.

Separate from lease-purchase agreements, the State is authorized to enter into lease or rental agreements for buildings and/or equipment. All of the lease/rental agreements for buildings and/or equipment contain a stipulation that continuation of the lease is subject to funding by the State legislature. Historically, these leases have been renewed in the normal course of business and are therefore treated as non-cancelable for financial reporting purposes. At June 30, 2012, the minimum lease/rental payments due for buildings and/or equipment for Fiscal Year 2012-13 are estimated to be approximately \$77.68 million. See Note 22 to the unaudited Fiscal Year 2011-12 BFS appended to this Official Statement as part of **Appendix A**.

For the purpose of financing certain qualified federal aid transportation projects in the State, CDOT issues Transportation Revenue Anticipation Notes. At June 30, 2011, CDOT had outstanding \$828.24 million in aggregate principal amount of such notes. These notes are payable solely from certain federal and State funds that are allocated on an annual basis by the State Transportation Commission, in its sole discretion. The allocated funds are expected to be comprised of highway moneys paid directly to CDOT by the U.S. Department of Transportation, and appropriations of revenues from the Highway Users Tax Fund allocated by statute to CDOT.

In addition to the obligations described above, State departments and agencies, including State institutions of higher education, issue revenue bonds for business type activities, as well as bonds and/or notes for the purchase of equipment and construction of facilities and infrastructure. With the exception of the University of Colorado, whose regents are elected, the institutions of higher education are governed by boards whose members are appointed by the Governor with the consent of the State Senate. For the outstanding aggregate principal amount of such bonds as of June 30, 2012, see Notes 24 and 43 to the State's unaudited Fiscal Year 2011-12 BFS appended to this Official Statement as part of **Appendix A**.

### **Pension and Post-Employment Benefits**

The State provides post-employment benefits to its employees based on their work tenure and earnings history through a defined benefit pension plan (as more particularly defined in "APPENDIX I – STATE PENSION SYSTEM," the "**Plan**"), a defined contribution plan and a limited healthcare plan. Each plan is administered by the Public Employees' Retirement Association ("**PERA**"), which is a statutorily created legal entity that is separate from the State. PERA also administers plans for school districts, local governments and other entities, each category of which is considered a separate division of PERA and for which the State has no obligation to make contributions or fund benefits. Most State employees participate in the Plan. For a general description of the Plan and PERA, see "APPENDIX I – STATE PENSION SYSTEM," which is based on PERA's Comprehensive Annual Financial Report for calendar year 2011 (the "**PERA 2011 CAFR**"). For a detailed discussion of the Plan, the defined contribution plan and PERA, see Notes 18, 19 and 20 to both the State's Fiscal Year 2010-11 CAFR and the State's unaudited Fiscal Year 2011-12 BFS appended to this Official Statement and the PERA 2011 CAFR. The information in the State's Fiscal Year 2010-11 CAFR is based on PERA's Comprehensive Annual Financial Report for calendar year 2010; however, the information under this caption has been updated with information from the PERA 2011 CAFR. The information in the State's unaudited Fiscal Year 2011-12 BFS is based on PERA's Comprehensive Annual Financial Report for calendar year 2011.

The Plan is funded with payments made by the State and by each participating State employee, the amounts of which are determined and established by statute. See "APPENDIX I – STATE PENSION

SYSTEM – Funding and Contributions.” Although the State has made all statutorily required contributions (“**SRC**”) to the Plan, as of December 31, 2011 (the latest period for which audited information for the Plan is available), the actuarial value of the Plan assets and the actuarial accrued liability (“**AAL**”) of the Plan were \$12.0 billion and \$20.8 billion, respectively, resulting in an unfunded actuarial accrued liability (“**UAAL**”) of \$8.8 billion and a funded ratio of 57.7%, assuming an investment rate of return of 8%. The UAAL at December 31, 2011, would amortize over a 56-year period based on contribution rates as of the date of calculation (*i.e.*, contributions equal to the SRC)<sup>(1)</sup>. See “APPENDIX 1 – STATE PENSION SYSTEM – Funding and Contributions” and Table 1 therein for details on the State’s SRC and ARC, and supplemental contributions made by the State to address funding shortfalls.

The actuarial value of assets for the Plan uses an asset valuation method of smoothing the difference between the market value of assets and the actuarial value of assets to prevent extreme fluctuations that may result from short-term or cyclical economic and market conditions. Accordingly, the full effect of recent fluctuations in Plan assets as a result of economic and market conditions is not reflected in the funded ratio of 57.7%. The funded ratio of the Plan at December 31, 2011, based on the market value of assets, was 57.6%, representing an unfunded accrued liability of \$7.9 billion. See “APPENDIX I – STATE PENSION SYSTEM – Plan Assets, Liabilities and Funding Levels” for historical information regarding the Plan’s assets, liabilities and funding levels. See also “Management’s Discussion and Analysis” and Notes 18, 19 and 20 to the State’s Fiscal Year 2010-11 CAFR appended to this Official Statement. Calculation of the UAAL and the ARC is based on numerous assumptions, including future retiree participation and contribution rates, discount rates, investment rates and life expectancy rates. No assurance can be given that the AAL and UAAL of the Plan will not materially increase or that the actuarial or market values of the Plan assets will not materially decrease.

Because the State’s annual contributions with respect to the Plan are set by statute and funded in the State’s annual budget, such contributions are not affected in the short term by changes in the actuarial valuation of the Plan assets or funding ratio of the Plan. The State’s current pension liability or any change in the State’s pension liability may adversely affect the State’s ability to fully pay the Series 2012H Certificates.

The State also currently offers other post-employment health and life insurance benefits to its employees. The post-employment health insurance is provided under the PERA Health Care Trust Fund in which members from all divisions of PERA may participate. It is a cost-sharing, multiple employer plan under which PERA subsidizes a portion of the monthly premium for health insurance coverage for certain State retirees, and the remaining amount of the premium is funded by the benefit recipient through an automatic deduction from the monthly retirement benefit. The Health Care Trust Fund is funded by a statutory allocation of moneys consisting of portions of, among other things, the employer statutorily required contributions, the amount paid by members and the amount of any reduction in the employer contribution rates to amortize any overfunding in each Division’s trust fund. At December 31, 2011, the Health Care Trust Fund had an unfunded actuarial accrued liability of \$1.4 billion, a funded ratio of 16.5% and a 42-year amortization period. Because the Health Care Trust Fund is a cost-sharing, multiple employer plan, the actuary has not determined the portion of the UAAL that applies to each division participant. However, the State Division, which is itself a cost-sharing, multiple employer participant in the Health Care Trust Fund, represented approximately 34% of the covered payroll reported for the Health Care Trust Fund at December 31, 2011. Although at December 31, 2012, the funded ratio of the Health Care Trust fund was 16.5%, the benefit is a fixed limited subsidy of the retiree’s health care

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<sup>(1)</sup> For purposes of calculating the actuarial annual required contribution (“**ARC**”) under the Plan for accounting purposes, GAAP requires that the UAAL be amortized over a maximum period of 30 years. As a result, the ARC is higher than the SRC because it results in a 30-year amortization of the UAAL instead of a 56-year amortization of the UAAL at December 31, 2011.

insurance premium payment, and the retiree bears all risk of medical cost inflation. See Notes 10 and 11 to the PERA 2011 CAFR for additional information regarding the Health Care Trust Fund.

### **State Authorities**

A number of State authorities have issued financial obligations to support activities related to the special purposes of such entities. Such obligations do not constitute a debt or liability of the State. Generally, State authorities are legally separate, independent bodies, governed by their own boards, some including ex-officio State officials and/or members appointed by the Governor or ranking members of the General Assembly (in most cases with the consent of the State Senate).

Prior to July 1, 2001, the Colorado Housing and Finance Authority (“**CHFA**”) was permitted by statute to establish capital reserve funds for the purpose of paying debt service, and is required to request additional funding from the Governor and General Assembly if such reserve funds are depleted, although the General Assembly is not required to make an appropriation for such reserve funds. No request for additional funding to establish or replenish such reserve funds has ever been made by CHFA. Under generally accepted accounting principles for governments, CHFA is not a component unit of the State and therefore, it is not included in the State’s CAFR and BFS.

### **Note Issues of the State**

Under State law, the State Treasurer is authorized to issue and sell notes payable from the anticipated revenues of any one or more funds or groups of accounts to meet temporary cash flow shortfalls. Since Fiscal Year 1984-85, the State has issued tax and revenue anticipation notes in order to fund cash flow shortfalls in the General Fund. For certain Fiscal Years, the State has also funded cash flow shortfalls by use of the proceeds of internal borrowing from State funds other than the General Fund. Since Fiscal Year 2003-04, the State has also issued education loan anticipation notes for local school districts in anticipation of local school district revenues to be collected at a later date. All tax and revenue anticipation notes previously issued by the State have been paid in full and on time. In June 2012, the State issued \$500.0 million of General Fund Tax Revenue Anticipation Notes and \$230.0 million of Education Loan Program Tax and Revenue Anticipation Notes. The State anticipates an additional issuance of Education Loan Program Tax and Revenue Anticipation Notes in January 2013, but the amount of the issuance has not been determined.

## **FORWARD-LOOKING STATEMENTS**

This Official Statement, including but not limited to the material set forth under “STATE FINANCIAL INFORMATION,” “DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS,” “LITIGATION AND SOVEREIGN IMMUNITY” and in **Appendices E, F and I** contains statements relating to future results that are “forward-looking statements.” When used in this Official Statement, the words “estimates,” “intends,” “expects,” “believes,” “anticipates,” “plans,” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop the forward-looking statements will not be realized and unanticipated events and circumstances will occur. Therefore, it can be expected that there will be differences between forward-looking statements and actual results, and those differences may be material. The State does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations change or events, conditions or circumstances on which these statements are based occur.

## LITIGATION AND SOVEREIGN IMMUNITY

### No Litigation Affecting the Series 2012H Certificates

There is no litigation pending, or to the knowledge of the State threatened, either seeking to restrain or enjoin the issuance or delivery of the Series 2012H Certificates or questioning or affecting the validity of the Series 2012H Certificates or the proceedings or authority under which they are to be issued. There is also no litigation pending, or to the State's knowledge threatened, that in any manner questions the right of the Treasurer to enter the 2012H Lease or the Subleases in the manner provided in the Act.

### Governmental Immunity

The Colorado Governmental Immunity Act, Article 10 of Title 24, Colorado Revised Statutes (“**Immunity Act**”) provides that public entities and their employees acting within the course and scope of their employment are immune from liability for tort claims under State law based on the principle of sovereign immunity except for those specifically identified events or occurrences defined in the Immunity Act. Whenever recovery is permitted, the Immunity Act also generally limits the maximum amount that may be recovered to \$150,000 for injury to one person in a single occurrence, and an aggregate of \$600,000 for injury to two or more persons in a single occurrence, except that no one person may recover in excess of \$150,000. The Immunity Act does not limit recovery against an employee who is acting outside the course and scope of his/her employment. The Immunity Act specifies the sources from which judgments against public entities may be collected and provides that public entities are not liable for punitive or exemplary damages. The Immunity Act does not prohibit claims in Colorado state court against public entities or their employees based on contract and may not prohibit such claims based on other common law theories. However, the Immunity Act does bar certain federal actions or claims against the State or the Participating K-12 Institutions, or State or its employees sued in their official capacities under federal statutes when such actions are brought in state court. The Eleventh Amendment to the U.S. Constitution bars certain federal actions or claims against the State, the Institutions, or State or Regent employees sued in their official capacities under federal statutes when such actions are brought in federal court.

HB 12-1361 amended the Immunity Act by waiving sovereign immunity of the State in an action for injuries resulting from a prescribed fire started or maintained by the State or any of its employees on or after January 1, 2012. A prescribed fire is defined as the application of fire in accordance with a written prescription for vegetative fuels, but excluding a controlled burn used in farming industry to clear land of existing crop residue, kill weeds and weed seeds or to reduce fuel build-up and decrease the likelihood of a future fire.

### Self Insurance

In 1985, the General Assembly passed legislation creating a self-insurance fund, the Risk Management Fund, and established a mechanism for claims adjustment, investigation and defense, as well as authorizing the settlement and payment of claims and judgments against the State. The General Assembly also utilizes the self-insurance fund for payment of State workers' compensation liabilities. The State currently maintains self-insurance for claims arising on or after September 15, 1985, under the Immunity Act and claims against the State, its officials or its employees arising under federal law. See Notes 6H, 21, 42 and General Fund Components (in Supplementary Information) in both the State's Fiscal Year 2010-11 audited CAFR and the State's unaudited Fiscal Year 2011-12 BFS appended to this Statement as part of **Appendix A**. 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.

### **Current Litigation**

#### *The State*

For a description of pending material litigation in which the State is a defendant, see Note 42 to the financial statements in both the State's Fiscal Year 2010-11 CAFR and the State's unaudited Fiscal Year 2011-12 BFS appended to this Official Statement as **Appendix A**. One case referenced in Note 42 is the case of *Lobato v. State of Colorado*, which challenges the State's school finance system. On December 9, 2011, the Denver District Court ruled in favor of the plaintiffs, holding that current funding of Colorado's K-12 school finance system is unconstitutional because it is inadequate and not rationally related to the State Constitutional mandate of a thorough and uniform system of free public education. The State has appealed the ruling to the State Supreme Court. The State Attorney General is not opining as to the effect of any final decision rendered in connection with the *Lobato* case.

There can be no assurance regarding the ultimate outcome of the actions described in Note 42 and, except as provided in Note 42, no provision has been made in the financial statements related to the actions discussed in such Note.

### **TAX MATTERS**

**In General.** In the opinion of Kutak Rock LLP, Bond Counsel, to be delivered at the time of original issuance of the Series 2012H Certificates, under existing laws, regulations, rulings and judicial decisions, the portion of the Base Rent paid by the State which is designated and paid as interest on the Series 2012H Certificates is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax.

The State and the Series 2012H Participating K-12 Institutions have made certain representations and covenanted to comply with requirements that must be satisfied in order for the interest on the Series 2012H Certificates to be excludable from gross income for federal income tax purposes. The opinions set forth above are subject to the accuracy of such representations and continuing compliance by the State and the Series 2012H Participating K-12 Institutions and others with such covenants. Failure to comply with such requirements could cause interest on the Series 2012H Certificates to be included in gross income retroactive to the date of issue of such Series 2012H Certificates.

Notwithstanding Bond Counsel's opinion that the portion of the Base Rent paid by the State which is designated and paid as interest on the Series 2012H Certificates is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

The accrual or receipt of interest on the Series 2012H Certificates may otherwise affect the federal income tax liability of the owners of the Series 2012H Certificates. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2012H Certificates, particularly purchasers that are corporations (including S corporations and foreign

corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2012H Certificates.

Bond Counsel has expressed no opinion regarding the effect of any termination of the State's obligation under the Leases, under certain circumstances as provided in the Leases, upon the treatment for federal income tax purposes of any moneys received by the Owners of the Series 2012H Certificates, or any other federal tax consequences related to the ownership or disposition of the Series 2012H Certificates.

**Tax Treatment of Original Issue Discount.** The Series 2012H Certificates that have an original yield above their interest rate, as shown on the inside cover page of this Official Statement, are being sold at a discount (the "**Tax-Exempt Discount Obligations**"). The difference between the initial public offering prices, as set forth on the inside cover page hereof, of the Tax-Exempt Discount Obligations and their stated amounts to be paid at maturity, constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

In the case of an owner of a Tax-Exempt Discount Obligation, the amount of original issue discount which is treated as having accrued with respect to such Tax-Exempt Discount Obligation is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of a Tax-Exempt Discount Obligation (including its sale, redemption or payment at maturity). Amounts received upon disposition of a Tax-Exempt Discount Obligation which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Tax-Exempt Discount Obligation, on days which are determined by reference to the maturity date of such Tax-Exempt Discount Obligation. The amount treated as original issue discount on a Tax-Exempt Discount Obligation for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Tax-Exempt Discount Obligation (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Tax-Exempt Discount Obligation at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for such Tax-Exempt Discount Obligation during the accrual period. The tax basis is determined by adding to the initial public offering price on such Tax-Exempt Discount Obligation the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If a Tax-Exempt Discount Obligation is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

The Code contains additional provisions relating to the accrual of original issue discount in the case of owners of a Tax-Exempt Discount Obligation who purchase such Tax-Exempt Discount Obligations after the initial offering. Owners of Tax-Exempt Discount Obligations including purchasers of the Tax-Exempt Discount Obligations in the secondary market should consult their own tax advisors with respect to the determination for federal income tax purposes of original issue discount accrued with respect to such obligations as of any date and with respect to the state and local tax consequences of owning a Tax-Exempt Discount Obligation.

**Tax Treatment of Bond Premium.** The Series 2012H Certificates that have an original yield below their interest rate, as shown on the inside cover page of this Official Statement, are being sold at a premium (collectively, the “**Tax-Exempt Premium Obligations**”). An amount equal to the excess of the issue price of a Tax-Exempt Premium Obligation over its stated redemption price at maturity constitutes premium on such Tax-Exempt Premium Obligation. An initial purchaser of such Tax-Exempt Premium Obligation must amortize any premium over such Tax-Exempt Premium Obligation’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Tax-Exempt Premium Obligations callable prior to their maturity, by amortizing the premium to the call date, based upon the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest allocable to the corresponding payment period and the purchaser’s basis in such Tax-Exempt Premium Obligation is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Tax-Exempt Premium Obligation prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of Tax-Exempt Premium Obligations should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning such Tax-Exempt Premium Obligations.

**Backup Withholding.** As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2012H Certificates is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any owner of a Series 2012H Certificate who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2012H Certificates from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

### **Exemption Under State Tax Law**

In the opinion of Bond Counsel, under existing State of Colorado statutes, the interest received by the Owners of the Series 2012H Certificates with respect to their undivided interests in the Base Rent that is designated and paid as interest under the Leases is exempt from State of Colorado income tax. Bond Counsel has expressed no opinion regarding the effect of any termination of the State’s obligation under the Leases on interest received or income of the Owners of the Series 2012H Certificates subsequent to such termination, or other tax consequences related to the ownership or disposition of the Series 2012H Certificates under the laws of the State of Colorado or any other state or jurisdiction.

### **Changes in Federal and State Tax Law**

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Series 2012H Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2012H Certificates. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2012H Certificates or the market value thereof would be impacted thereby. Purchasers of the Series 2012H Certificates should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing

legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2012H Certificates and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

## UNDERWRITING

The Series 2012H Certificates are to be purchased by the Underwriters listed on the front cover page of this Official Statement at a price equal to \$204,572,949.20 (representing the aggregate principal amount of the Series 2012H Certificates of \$195,965,000.00 plus net original issue premium of \$9,396,418.75 less an aggregate underwriting discount of \$788,469.55). The Underwriters have agreed to accept delivery of and pay for all the Series 2012H Certificate if any are delivered, provided that the obligation to make such purchase is subject to certain terms and conditions set forth in the Certificate Purchase Agreement related to the Series 2012H Certificates, the approval of certain legal matters by counsel and certain other conditions. The Underwriters may offer and sell the Series 2012H Certificates to certain dealers (including dealers depositing such Series 2012H Certificates into investment funds) and others at prices lower than the public offering prices stated on the inside cover page hereof. The public offering prices set forth on the inside cover page hereof may be changed after the initial offering by the Underwriters.

## LEGAL MATTERS

Legal matters relating to the validity of the Series 2012H Certificates are subject to the approving opinion of Kutak Rock LLP, Denver, Colorado, as Bond Counsel, which will be delivered with the Series 2012H Certificates, a form of which is attached hereto as **Appendix D**.

Sherman & Howard L.L.C. will pass upon certain legal matters relating to the Series 2012H Certificates as Special Counsel to the State. Sherman & Howard L.L.C. has not participated in any independent verification of the information concerning the financial condition or capabilities of the State or the Series 2012H Participating K-12 Institutions contained in this Official Statement. Certain legal matters will be passed upon for the State by the office of the Attorney General of the State, as counsel to the State. Hogan Lovells US LLP, Denver, Colorado, has acted as counsel to the Underwriters. Payment of legal fees to Bond Counsel and Special Counsel are contingent upon the sale and delivery of the Series 2012H Certificates.

## RATINGS

Standard & Poor's Ratings Services has assigned the Series 2012H Certificates a rating of "AA-" and Moody's Investors Service has assigned the Series 2012H Certificates a rating of "Aa2". No other ratings have been applied for. A rating reflects only the views of the rating agency assigning such rating, and an explanation of the significance of such rating may be obtained from each such rating agency. The State has furnished to the rating agencies certain information and materials relating to the Series 2012H Certificates and the 2012H Leased Property, including certain information and materials which have not been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions by the rating agencies. There is no assurance that any of the ratings will continue for any given period of time or that any of the ratings will not be revised downward, suspended or withdrawn entirely by any such rating agency if, in its judgment, circumstances so warrant. Any such downward revision, suspension or withdrawal of any such rating may have an adverse effect on the market price of the Series 2012H Certificates. Neither the State, the

Financial Advisor (hereinafter defined), nor any Underwriter undertakes any responsibility to oppose any such revision, suspension or withdrawal.

### **CO-FINANCIAL ADVISORS**

The State has retained Piper Jaffray & Co., Denver, Colorado and First Southwest, Greenwood Village, Colorado as co-financial advisors (the “**Co-Financial Advisors**”) in connection with the Series 2012H Certificates and with respect to the authorization, execution and delivery of the Series 2012H Certificates. *The Co-Financial Advisors are not obligated to undertake, and have not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.* The Co-Financial Advisors will act as independent advisory firms and will not be engaged in underwriting or distributing the Series 2012H Certificates.

### **CONTINUING DISCLOSURE**

In connection with its execution and delivery of the Series 2012H Certificates, the State will execute a Continuing Disclosure Undertaking (the “**Disclosure Certificate**”), a form of which is attached hereto as **Appendix C**, wherein it will agree for the benefit of the owners of the Series 2012H Certificates to provide certain Annual Financial Information relating to the State by not later than 270 days after the end of each Fiscal Year, commencing with the Fiscal Year ended June 30, 2012, to provide the Audited Financial Statements when available but not later than 210 days after the end of each Fiscal Year (or as soon thereafter as available), and to provide notices of occurrence of certain enumerated events. Except as discussed below, during the previous five years the State Treasurer has complied, in all material respects, with the continuing disclosure undertaking entered into by the State Treasurer pursuant to the requirements of Rule 15c2-12. From January 2011 to May 2011, the State Treasurer failed to file with the Municipal Securities Rulemaking Board (the “**MSRB**”) periodic cash flow schedules for the State’s General Fund Tax and Revenue Anticipation Notes, Series 2010A (the “**Series 2010A General Fund Notes**”), which were issued on December 14, 2010, and paid in full at maturity. Although such periodic filings were not required by Rule 15c2-12, the authorizing resolution for the Series 2010A General Fund Notes included an affirmative covenant by the State Treasurer to file such schedules with the MSRB.

### **MISCELLANEOUS**

The cover page, prefatory information and appendices to this Official Statement are integral parts hereof and must be read together with all other parts of this Official Statement. The descriptions of the documents, statutes, reports or other instruments included herein do not purport to be comprehensive or definitive and are qualified in the entirety by reference to each such document, statute, report or other instrument. During the offering period of the Series 2012H Certificates, copies of the Act and certain other documents referred to herein may be obtained from the Underwriters at RBC Capital Markets, LLC, as Representative of the Underwriters, 1200 Seventeenth Street, Suite 2150, Denver, Colorado 80202 Attention: Public Finance Department, telephone number (303) 595-1222. So far as any statements made in this Official Statement involve matters of opinion, forecasts, projections or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

**OFFICIAL STATEMENT CERTIFICATION**

The preparation and distribution of this Official Statement have been authorized by the State Treasurer. This Official Statement is hereby approved by the State Treasurer as of the date on the cover page hereof.

**STATE OF COLORADO,  
acting by and through the State Treasurer**

By:     /s/ Walker R. Stapleton      
Treasurer of the State of Colorado

**APPENDIX A**  
**State of Colorado Comprehensive Annual Financial Report**  
**for the Fiscal Year ended June 30, 2011**  
**and**  
**State of Colorado Unaudited Basic Financial Statements**  
**for the Fiscal Year ended June 30, 2012**

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**STATE OF COLORADO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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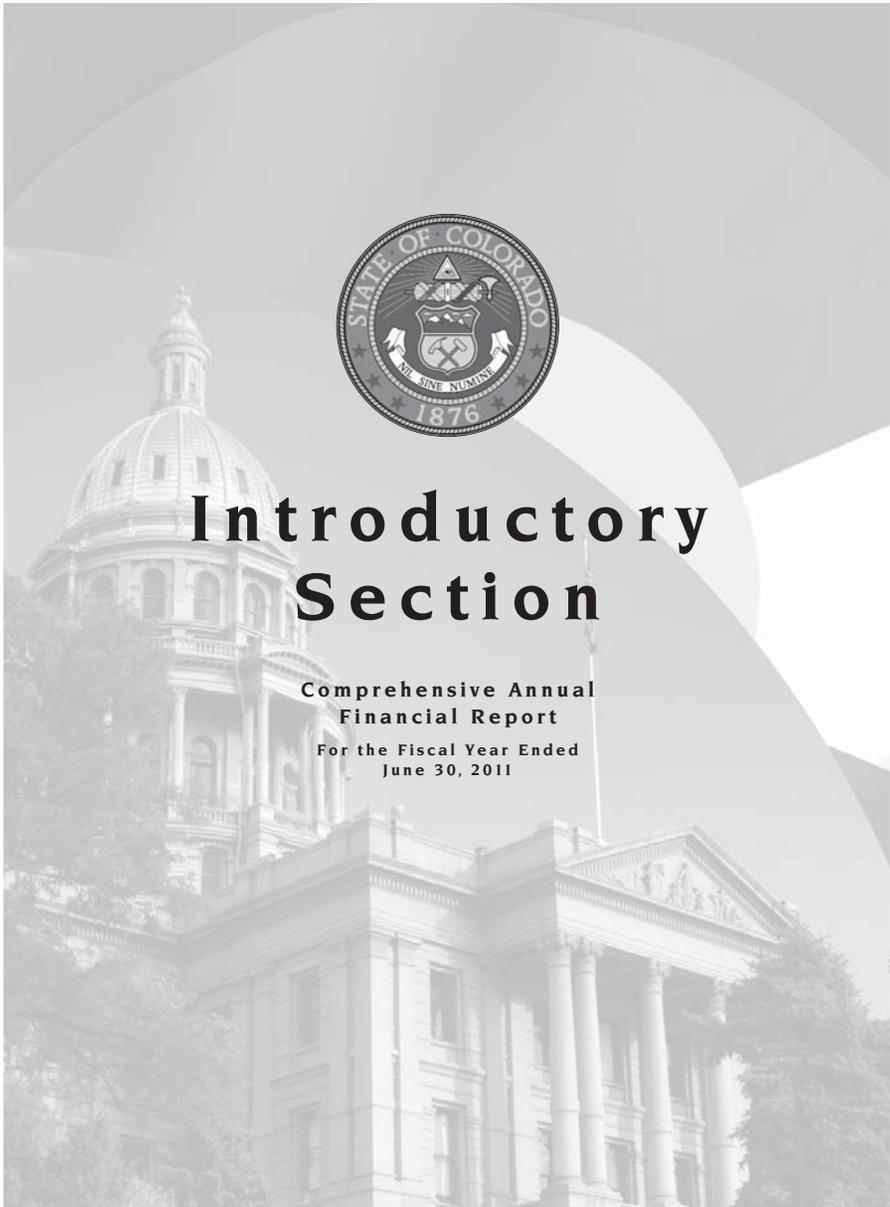
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# State of Colorado



## DPA

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& Administration

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**John W. Hickenlooper**  
Governor

**Kathy Nesbitt**  
Executive Director

**Jennifer Okes**  
Deputy Executive Director

**David J. McDermott**  
State Controller

December 16, 2011

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

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

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

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

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

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

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

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

## PROFILE OF THE STATE OF COLORADO

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

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

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

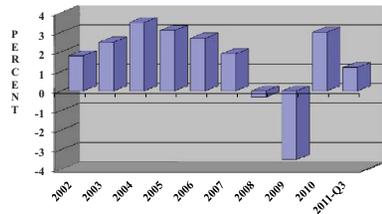
The Judicial Branch is responsible for resolving disputes within the State, including those between the executive and legislative branches of government, and for supervising offenders on probation. The branch includes the Supreme Court, Court of Appeals, and district and county courts, served by more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

## ECONOMIC CONDITION AND OUTLOOK

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

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

**PERCENT CHANGE IN REAL GROSS DOMESTIC PRODUCT**



The Bureau of Economic Analysis reports that inflation adjusted national gross domestic product (GDP) grew at an annualized rate of 3.0 percent in the third quarter of calendar year 2010 and 1.2 percent in the third quarter of 2011. Inflation adjusted GDP increased 1.5 percent from the third quarter of 2010 to the third quarter of 2011 (all percentage changes in the balance of this paragraph are measured on the third quarter to third quarter basis). National personal consumption expenditures account for over two-thirds of GDP and increased 2.2 percent. Personal consumption was led by a 7.0 percent increase in durable goods (including recreational goods and vehicles increasing at 11.6 percent) and was offset by anemic growth in household services consumption and a decline in nonprofit spending. Notwithstanding a 7.5 percent increase in fixed investment (including significant increases in transportation – 20 percent, industrial equipment – 12.5 percent and other equipment and software – 5.1 percent), private domestic investment was up only 0.4 percent in aggregate as nonfarm inventories grew only slightly and farm inventories declined. Also holding back private domestic investment, residential investment grew slightly by 1.4 percent from a significantly lowered base, and other information processing equipment and software declined by 2.5 percent. Government spending declined quarter-over-quarter by 2.4 percent related to decreases in federal, state and local government spending. Quarter-over-quarter exports increased by 5.9 percent and imports grew by 1.9 percent; net imports continued to be a reduction of GDP but by a lesser amount than in the third quarter of 2010.

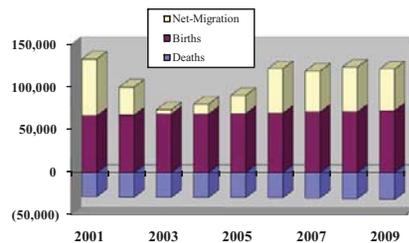
The national economy is continuing through a prolonged, anemic recovery resulting from the credit and housing boom and bust of the past two decades. The September 2011 Economic and Revenue Forecast of the Colorado Legislative Council observed that:

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

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

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

**COMPONENTS OF COLORADO'S POPULATION CHANGE**



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

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

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

**MAJOR GOVERNMENT FISCAL INITIATIVES**

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

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

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

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

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

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

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

#### BUDGETARY AND OTHER CONTROL SYSTEMS

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

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

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

#### INDEPENDENT AUDIT

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

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

#### CERTIFICATE OF ACHIEVEMENT

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

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

#### ACKNOWLEDGMENTS

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

Sincerely,



David J. McDermott, CPA  
Colorado State Controller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Colorado

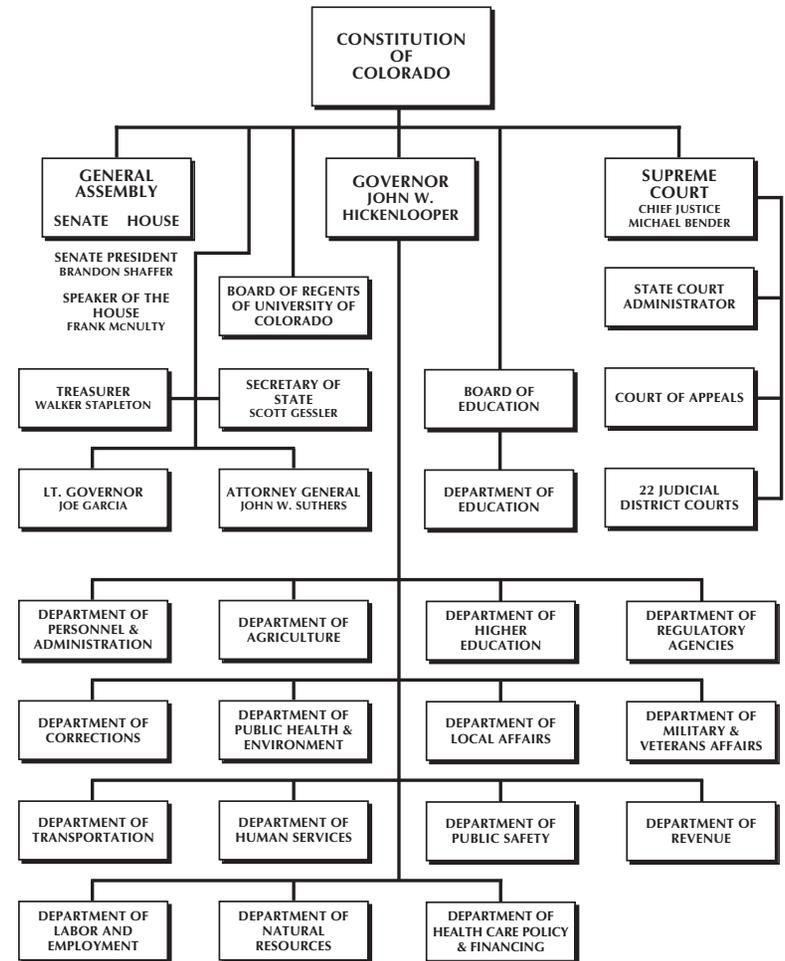
For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2010

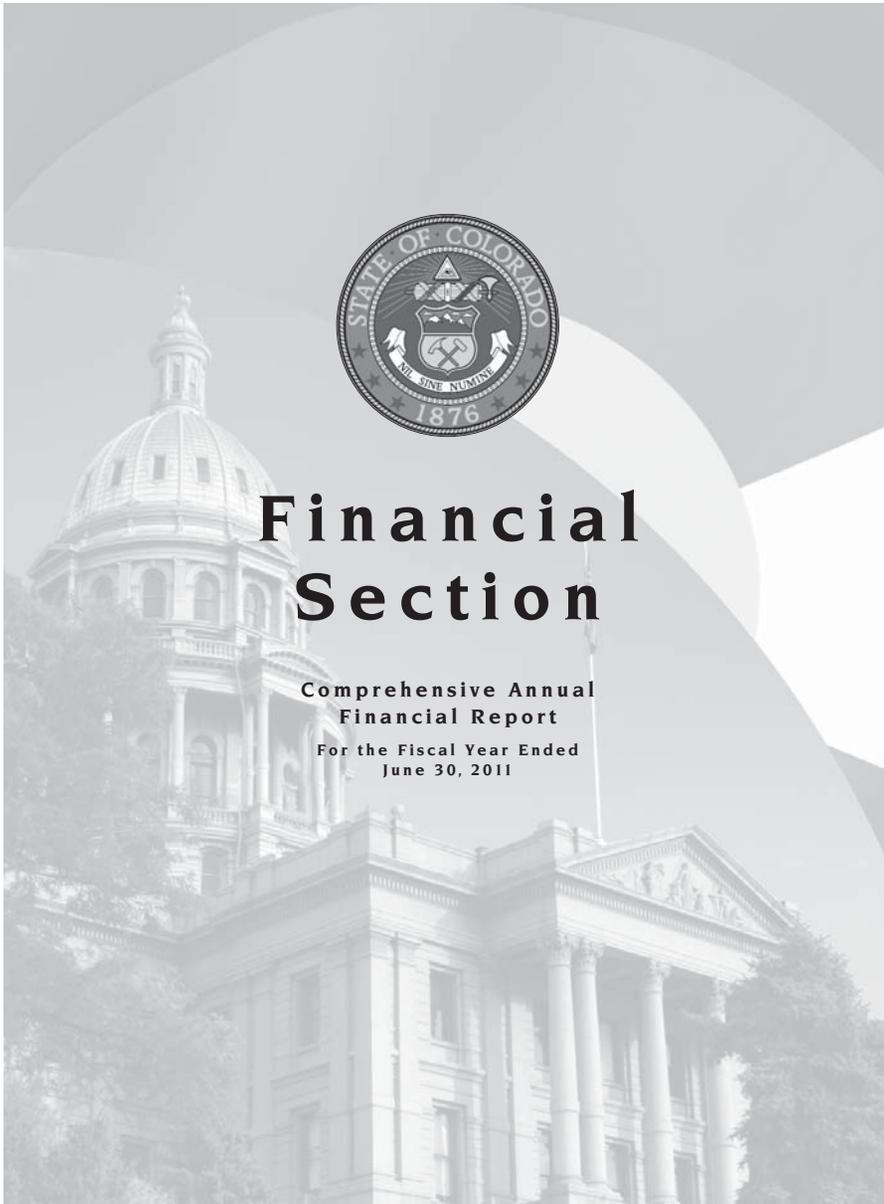
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



*[Signature]*  
President  
*[Signature]*  
Executive Director

## PRINCIPAL ORGANIZATIONS AND KEY OFFICIALS





Office of the State Auditor

Dianne E. Ray, CPA  
State Auditor

December 16, 2011

### Independent Auditor's Report

Members of the Legislative Audit Committee:

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

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



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

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

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

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

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



**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

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

**FINANCIAL HIGHLIGHTS**

**Government-wide:**

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

**Fund Level:**

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

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

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

**Debt Issued and Outstanding:**

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

**Revenue and Spending Limits:**

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

**OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION**

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

**Government-wide Statements**

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

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

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

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

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

**Fund-Level Statements**

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

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

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

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

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

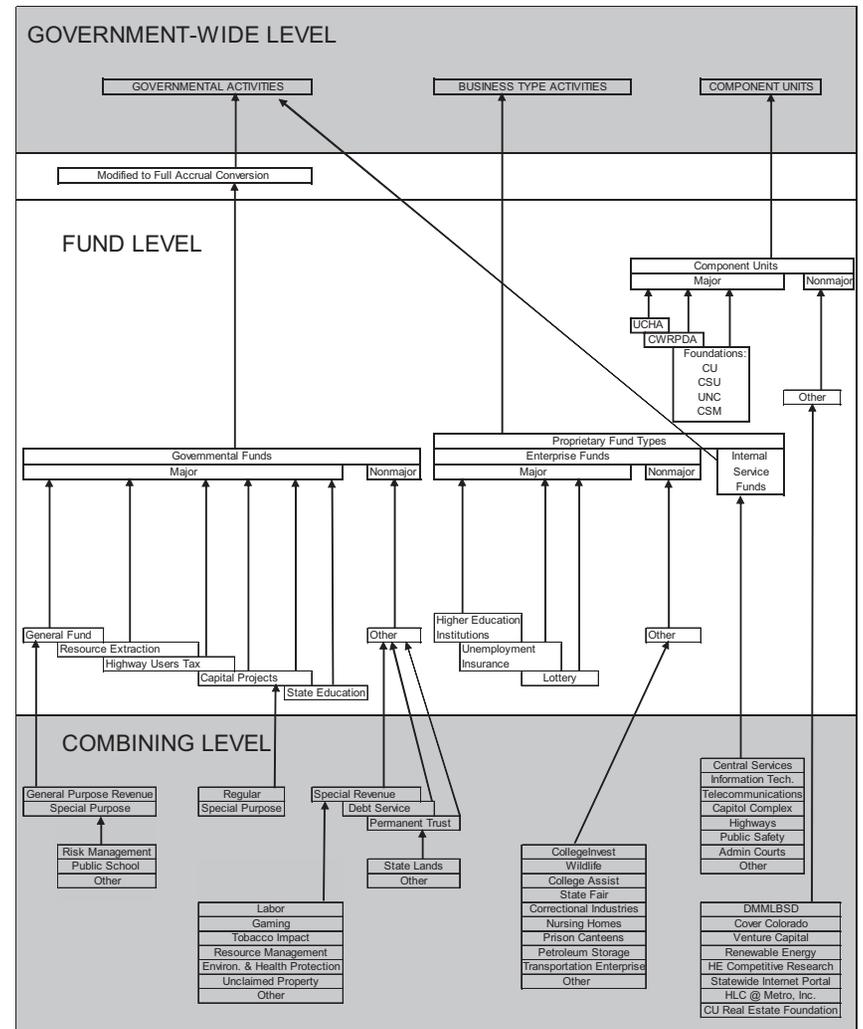
**Notes to Basic Financial Statements**

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

**Required Supplementary Information (RSI)**

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

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



**OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS**

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

(Amounts in Thousands)

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

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

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

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

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

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

(Amounts in Thousands)

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

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

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

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

**Background and Current Condition**

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

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

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

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

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

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

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

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

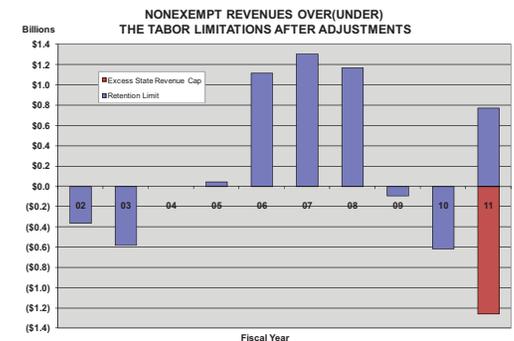
Legislation was enacted in the 2011 legislative session to merge the Division of Parks (a nonexempt-TABOR activity) and the Division of Wildlife (a TABOR enterprise); the new Division is in its entirety authorized as a TABOR enterprise starting in Fiscal Year 2011-12.

**Referendum C**

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

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

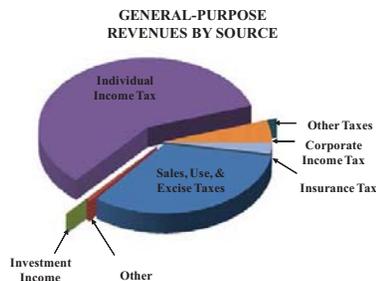
The amount of revenues in excess of the limit cannot be known for certain until the completion of the TABOR audit, which is generally not available until up to six months after fiscal year-end. Currently, due to the sluggish economic recovery the State's revenues are not expected to exceed the ESRC cap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



**INDIVIDUAL FUND ANALYSIS**

**General Fund**

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



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

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

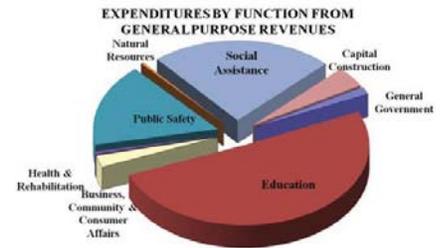
General-purpose revenues for Fiscal Years 2010-11 and 2009-10 were \$7,085.8 million (see page 165) and \$6,456.1 million, respectively – an increase of \$629.7 million or 9.8 percent. Individual income tax revenue increased by \$377.1 million or 10.0 percent. The major categories of individual income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

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

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

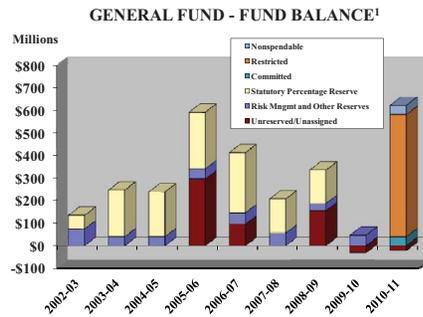
The Special Purpose portion of the General Fund fund balance totaled \$570.4 million in Fiscal Year 2010-11. Risk Management was previously reported in the General Fund, and continues to be reported in the General Fund as part of the Special Purpose General Fund. Beginning in Fiscal Year 2010-11 the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

With expenditures measured using generally accepted accounting principles, the Departments of Education, Health Care Policy and Financing, Higher Education, and Human Services accounted for approximately 81.7 percent of all Fiscal Year 2010-11 general-funded expenditures, which is a decrease of 0.6 percent from the prior year. The Departments of Higher Education, Corrections, and Health Care Policy and Financing’s general-funded expenditures increased \$276.3 million (64.4 percent), \$92.6 million (16.4 percent), and \$151.6 million (13.2 percent), respectively. The percentage use of general-funded resources by these three departments increased as a result of the phase-out of American Recovery and Reinvestment Act of 2009 moneys for education stabilization and government services stabilization, and because of increased Medicaid caseloads coupled with the deferral of two additional weeks of Medicaid expenditures from Fiscal Year 2009-10 into Fiscal Year 2010-11. The Departments of Revenue, Education and Human Services’ general-funded expenditures decreased by \$18.5 million (34.2 percent), \$275.8 million (8.5 percent), and \$27.0 million (3.6 percent), respectively. The percentage reductions of general-funded resources by these three departments was primarily the result of fewer Old Age Pension payments in the Department of Revenue, the receipt of federal funds offsetting mandated increased in the Department of Education related to local public school districts pursuant to Amendment 23 passed in the 2000 legislative session, and reductions in the Department of Human Services related to child welfare services, residential treatment placement in the Division of Youth Corrections, and in the mental health institutes.



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

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



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

**Resource Extraction Fund**

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

**Highway Users Tax Fund**

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

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

**Capital Projects Fund**

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

**State Education Fund**

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

**Higher Education Institutions**

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

**Unemployment Insurance**

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

**State Lottery**

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

**ANALYSIS OF BUDGET VARIANCES**

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

**Differences Between Original and Final Budgets**

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

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

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

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

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

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

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

**Differences Between Final Budget and Actual Expenditures**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS**

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

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

• **Pension Plan Contributions**

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

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

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

- Debt Service
  - Principal and interest payments on the remaining \$828.2 million of Transportation Revenue Anticipation Notes issued by the Department of Transportation average \$168.0 million per year over the next five years. While a portion of the debt service will be funded by federal funds, a significant amount will be funded by State sources. The Department of Transportation reports significant projected shortfalls in the funding needed to meet transportation infrastructure demand, and legislation increasing fees to provide other sources of transportation funding was enacted for Fiscal Year 2009-10.
  - In Fiscal Year 2010-11, the Bridge Enterprise in the Department of Transportation issued \$300.0 million of enterprise fund revenue bonds to be paid from the revenue stream mentioned above. The department has additional large borrowings planned.
  - In previous years, the State entered into lease purchase agreements for all or a portion of various construction projects including the Ralph L. Carr Justice Complex, the Colorado History Center, a prison, a hospital building, and a number of school buildings in local school districts. The average debt service over next five years totals \$64.3 million. The majority of the revenue streams to cover the debt service payments comprises cash sources, as there is no general obligation associated with these lease purchases and the investors' sole recourse is the leased asset. However, if the revenue streams intended to fund this debt service do not materialize, the State will need to find other ways to pay for the service-potential represented by these capital assets.
- Intergovernmental Fiscal Dependency – The State expended \$9,547.4 million (unaudited and including amounts in nonappropriated funds) in federal awards during Fiscal Year 2010-11 which represents 38.0 percent of the \$25,151.1 million shown as expended by the State on the Government-Wide *Statement of Activities*, which is up from the 36.0 percent reported in Fiscal Year 2009-10. These amounts included grants for social, educational, and environmental purposes and fund both direct State expenditures and pass-through assistance to local governments. Current federal revenue projections show a one-year budget deficit of approximately \$0.7 trillion for the 2012 federal Fiscal Year, and a \$3.2 trillion deficit for federal Fiscal Years 2011-2015. The increasing expenditures in both the Social Security and Medicare Part A programs, residual stimulus spending, employee tax cuts under consideration and the potential costs of health care reform along with the interest costs to finance U.S. government borrowing will take up an increasingly large amount of the federal revenue streams. Without significant federal revenue increases or potentially unsustainable federal borrowing, there may be large cuts in federal spending. In the absence of all or a significant portion of this funding, the State's operations and ability to provide services to its citizens would be adversely impacted as would local government services.

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

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

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

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



**BASIC FINANCIAL STATEMENTS**

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

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

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

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

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

**General Revenues:**

Taxes:
Sales and Use Taxes
Excise Taxes
Individual Income Tax
Corporate Income Tax
Other Taxes
Restricted for Education:
Individual Income Tax
Corporate and Fiduciary Income Tax
Restricted for Transportation:
Fuel Taxes
Other Taxes
Unrestricted Investment Earnings (Losses)
Other General Revenues
Payment from State of Colorado
Special and/or Extraordinary Items (See Note 35)
(Transfers-Out) / Transfers-In
Permanent Fund Additions
<b>Total General Revenues, Special Items, and Transfers</b>
<b>Change in Net Assets</b>
<b>Net Assets - Fiscal Year Beginning</b>
<b>Prior Period Adjustment (See Note 29)</b>
<b>Net Assets - Fiscal Year Ending</b>

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

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

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

(DOLLARS IN THOUSANDS)

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

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

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

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

(DOLLARS IN THOUSANDS)	(A) TOTAL GOVERNMENTAL FUNDS	(B) INTERNAL SERVICE FUNDS	(C) CAPITAL ASSET BALANCES	(D) DEBT RELATED BALANCES	(E) CENTRALIZED RISK MANAGEMENT LIABILITIES	(F) OTHER MEASUREMENT FOCUS ADJUSTMENTS	INTERNAL BALANCES ELIMINATION	STATEMENT OF NET ASSETS TOTALS
<b>ASSETS:</b>								
<b>Current Assets:</b>								
Cash and Pooled Cash	\$ 1,528,091	\$ 20,344	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,548,435
Investments	-	-	-	-	-	45,548	-	45,548
Taxes Receivable, net	1,124,621	-	-	-	-	(293,891)	-	830,730
Other Receivables, net	147,332	436	-	-	-	-	-	147,768
Due From Other Governments	486,146	599	-	-	-	-	-	486,745
Due From Other Funds	371,026	2,323	-	-	-	-	(354,729)	18,620
Due From Component Units	62	-	-	-	-	-	-	62
Inventories	18,581	1,256	-	-	-	-	-	19,837
Prepays, Advances, and Deferred Charges	54,548	1,995	-	-	-	-	-	56,543
<b>Total Current Assets</b>	<b>3,730,407</b>	<b>26,863</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(248,343)</b>	<b>(354,729)</b>	<b>3,154,198</b>
<b>Noncurrent Assets:</b>								
Restricted Cash and Pooled Cash	1,635,476	-	-	-	-	-	-	1,635,476
Restricted Investments	1,097,797	-	-	-	-	-	-	1,097,797
Restricted Receivables	173,347	-	-	-	-	-	-	173,347
Investments	97,891	-	-	-	-	(45,548)	-	52,343
Other Long-Term Assets	466,210	58	-	-	-	295,230	-	761,498
Depreciable Capital Assets and Infrastructure, net	-	73,721	9,257,574	-	-	-	-	9,331,295
Land and Nondepreciable Infrastructure	17,162	939	1,762,844	-	-	-	-	1,780,945
<b>Total Noncurrent Assets</b>	<b>3,487,883</b>	<b>74,718</b>	<b>11,020,418</b>	<b>-</b>	<b>-</b>	<b>249,682</b>	<b>-</b>	<b>14,832,701</b>
<b>TOTAL ASSETS</b>	<b>7,218,290</b>	<b>101,581</b>	<b>11,020,418</b>	<b>-</b>	<b>-</b>	<b>1,339</b>	<b>(354,729)</b>	<b>17,986,899</b>
<b>LIABILITIES:</b>								
<b>Current Liabilities:</b>								
Tax Refunds Payable	625,145	-	-	-	-	-	-	625,145
Accounts Payable and Accrued Liabilities	743,295	12,034	-	10,371	-	19,796	-	785,496
TABOR Refund Liability (Note 88)	706	-	-	-	-	-	-	706
Due To Other Governments	216,956	-	-	-	-	-	-	216,956
Due To Other Funds	374,525	-	-	-	-	(19,796)	(354,729)	-
Deferred Revenue	404,962	435	-	-	-	(293,891)	-	111,506
Compensated Absences Payable	47	43	-	-	-	9,651	-	9,741
Claims and Judgments Payable	395	-	-	-	3,214	11,204	-	44,841
Leases Payable	-	9,658	-	3,214	-	-	-	12,872
Notes, Bonds, and COPs Payable	-	3,535	-	141,630	-	-	-	145,165
Other Current Liabilities	10,273	258	-	-	-	3,217	-	13,748
<b>Total Current Liabilities</b>	<b>2,376,304</b>	<b>25,963</b>	<b>-</b>	<b>155,215</b>	<b>33,042</b>	<b>(269,819)</b>	<b>(354,729)</b>	<b>1,965,976</b>
<b>Noncurrent Liabilities:</b>								
Deposits Held in Custody For Others	14	-	-	-	-	-	-	14
Accrued Compensated Absences	-	6,870	-	-	-	130,269	-	137,139
Claims and Judgments Payable	-	-	-	-	102,013	237,990	-	340,003
Capital Lease Payable	-	54,066	-	40,650	-	-	-	94,716
Notes, Bonds, and COPs Payable	-	4,749	-	1,617,000	-	-	-	1,621,749
Other Long-Term Liabilities	-	-	-	-	-	434,194	-	434,194
<b>Total Noncurrent Liabilities</b>	<b>14</b>	<b>65,685</b>	<b>-</b>	<b>1,657,650</b>	<b>102,013</b>	<b>802,453</b>	<b>-</b>	<b>2,627,815</b>
<b>TOTAL LIABILITIES</b>	<b>2,376,318</b>	<b>91,648</b>	<b>-</b>	<b>1,812,865</b>	<b>135,055</b>	<b>532,634</b>	<b>(354,729)</b>	<b>4,593,791</b>
<b>NET ASSETS:</b>								
Invested in Capital Assets, Net of Related Debt	17,162	2,652	11,020,418	(1,203,854)	-	-	-	9,836,378
Restricted for:								
Construction and Highway Maintenance	1,346,545	-	-	(185,756)	-	-	-	1,160,789
Education	765,914	-	-	(280,743)	-	-	-	485,171
Debt Service	10,127	-	-	-	-	-	-	10,127
Emergencies	85,400	-	-	-	-	-	-	85,400
Remainder Funds and Endowments:								
Expendable	8,017	-	-	-	-	-	-	8,017
Nonexpendable	641,802	-	-	-	-	-	-	641,802
Other Purposes	315,082	-	-	-	-	-	-	315,082
Unrestricted	1,651,923	7,281	-	(142,512)	(135,055)	(531,295)	-	850,342
<b>TOTAL NET ASSETS</b>	<b>\$ 4,841,972</b>	<b>\$ 9,933</b>	<b>\$ 11,020,418</b>	<b>\$ (1,812,865)</b>	<b>\$ (135,055)</b>	<b>\$ (531,295)</b>	<b>\$ -</b>	<b>\$ 13,393,108</b>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(DOLLARS IN THOUSANDS)

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

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

(Continued)

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

**BUSINESS-TYPE ACTIVITIES  
ENTERPRISE FUNDS**

**GOVERNMENTAL  
ACTIVITIES**

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

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

(Continued)

(DOLLARS IN THOUSANDS)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

NOTES 1 Through 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

NOTE 1 – GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

NOTE 2 – REPORTING ENTITY

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

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

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

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

The following entities qualify as discretely presented component units:

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

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

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

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

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

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

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

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

University of Colorado Foundation  
 4740 Walnut Street  
 Boulder, Colorado 80301

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Primary Government**

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

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

The State's major funds report the following activities:

**GOVERNMENTAL FUND TYPE:**

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

Resource Extraction

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

Highway Users Tax Fund

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

Capital Projects Fund

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

State Education Fund

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

**PROPRIETARY FUND TYPE:**

Higher Education Institutions

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

Unemployment Insurance

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

Lottery

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

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

GOVERNMENTAL FUND TYPE (NONMAJOR):

General Fund

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

Capital Projects

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

Special Revenue Funds

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

Debt Service Fund

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

Permanent Funds

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

PROPRIETARY FUND TYPE (NONMAJOR):

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPE:

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

Pension and Benefit Trust Funds

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

Private Purpose Trust Funds

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

Agency Funds

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

PRESENTATION OF INTERNAL BALANCES

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

FUNCTIONAL PRESENTATION OF EXPENDITURES

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

General Government

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

Business, Community, and Consumer Affairs

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

Education

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

Health and Rehabilitation

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

Justice

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

Natural Resources

Department of Natural Resources

Social Assistance

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

Transportation

Department of Transportation

**Component Units**

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

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

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

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

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

**NOTE 5 – BASIS OF ACCOUNTING**

**Primary Government**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

**FUND-LEVEL FINANCIAL STATEMENTS**

**Governmental Funds**

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

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

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

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

Expenditures are recognized in governmental funds when:

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

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

**Proprietary and Fiduciary Funds**

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

**Component Units**

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

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

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

**A. CASH AND POOLED CASH**

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

**B. RECEIVABLES**

**Component Units**

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

**C. INVENTORY**

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

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

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

**D. INVESTMENTS**

**Primary Government**

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

**Component Units**

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

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

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

**E. CAPITAL ASSETS**

**Primary Government**

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

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

(Amounts in Dollars)

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

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

(Amounts in Years)

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

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

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

**Component Units**

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

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

**F. DEFERRED REVENUE**

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

**G. ACCRUED COMPENSATED ABSENCES LIABILITY**

**Primary Government**

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

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

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

**Component Units**

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

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

**H. INSURANCE**

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

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

**I. NET ASSETS AND FUND BALANCES**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Spendable fund balance classifications include:

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

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

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

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

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

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

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

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

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

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

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

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

**J. RESTATEMENT OF BEGINNING BALANCES**

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

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

**A. PROGRAM REVENUES**

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

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

**B. INDIRECT COST ALLOCATION**

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

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

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

**C. OPERATING REVENUES AND EXPENSES**

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

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

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

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

**NOTE 8 – STEWARDSHIP, ACCOUNTABILITY, AND LEGAL COMPLIANCE**

**A. OVEREXPENDITURES**

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

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

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

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

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

Approved Medicaid Overexpenditures:

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

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

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

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

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

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

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

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

not anticipate realizing any of these currently recognized unrealized losses.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**NOTE 9 – CASH AND POOLED CASH**

**Primary Government**

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

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

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

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

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

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

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

**Component Units**

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

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

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

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

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

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

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

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

**NOTE 11 – RECEIVABLES**

**Primary Government**

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

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

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

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

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

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

**Component Units**

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

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

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

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

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

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

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

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

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

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

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

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

**NOTE 12 – INVENTORY**

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

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

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

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

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

**NOTE 14 – INVESTMENTS**

**Primary Government**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Custodial Credit Risk**

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

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

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

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

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

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

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

(Amounts in Thousands)

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

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

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

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

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

(Amounts in Thousands)

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

**Credit Quality Risk**

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

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

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

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

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

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

(Amounts In Thousands)

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

**Interest Rate Risk**

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

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

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

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

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

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

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

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

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

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

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

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

weighted average maturity table above and the following duration table.

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

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

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

(Dollar Amounts in Thousands, Duration in Years)

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

**Foreign Currency Risk**

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

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

**Concentration of Credit Risk**

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

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

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

**Unrealized Gains and Losses**

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

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

(Amounts in Thousands)

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

**Component Units**

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

**Component Units – Non-Foundations**

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

(Amounts in Thousands)

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

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

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

(Amounts in Thousands)

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

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

**Credit Quality Risk**

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

(Amounts In Thousands)

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

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

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

**Interest Rate Risk**

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

(Dollar Amounts in Thousands, Duration in Years)

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

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

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

**Foreign Currency Risk**

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

**Concentration of Credit Risk**

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

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

**Investments Highly Sensitive to Interest Rate Risk**

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

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

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

**Component Units - Foundations**

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

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

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

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

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

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

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

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

**NOTE 16 – OTHER LONG-TERM ASSETS**

**Primary Government**

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

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

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

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

**Component Units**

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

**NOTE 17 – CAPITAL ASSETS**

**Primary Government**

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

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

(Amounts in Thousands)

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

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

(Amounts in Thousands)

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

**Component Units**

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

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

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

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

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

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

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

**NOTE 18 Through 27 – DETAILS OF LIABILITY ITEMS**

**NOTE 18 – PENSION SYSTEM AND OBLIGATIONS**

**Primary Government**

**A. PLAN DESCRIPTION**

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

Administration of the Plan

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

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

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

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

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

Defined Retirement Benefits

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Money Purchase Retirement Benefit

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

Service Requirement and Termination

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

Disability and Survivor Benefits

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

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

**B. FUNDING POLICY**

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

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

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

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

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

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

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

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

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

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

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

The State made the following retirement contributions:

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

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

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

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

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

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

**C. OTHER PENSION CONTRIBUTIONS**

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

**Component Units**

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

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

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

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

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

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

**Primary Government**

PERA Health Care Trust Fund

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

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

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

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

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

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

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

University of Colorado – Other Postemployment Benefits Plan

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

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

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

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

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

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

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

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

Colorado State University – Other Postemployment Benefits Plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Programs

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

Component Units

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

**NOTE 20 – OTHER EMPLOYEE BENEFITS**

**Primary Government**

**A. MEDICAL AND DISABILITY BENEFITS**

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

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

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

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

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

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

**B. EMPLOYEE DEFERRED COMPENSATION PLAN**

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

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

**C. OTHER RETIREMENT PLANS**

PERA 401k Plan

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

PERA Defined Contribution Retirement Plan

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

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

Higher Education Optional Retirement Plans

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

Other State Retirement Plans

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

**Component Units**

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

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

**D. TERMINATION BENEFITS**

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

**NOTE 21 – RISK MANAGEMENT**

**Primary Government**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Changes in claims liabilities were as follows:

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

**Component Units**

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

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

**NOTE 22 – LEASE COMMITMENTS**

**Primary Government**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Amounts in Thousands)

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

**Component Units**

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

(Amounts in Thousands)

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

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

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

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

**NOTE 23 – SHORT-TERM DEBT**

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

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

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

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

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

**Primary Government**

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

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

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

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

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

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

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

(Amounts in Thousands)  
Business-Type Activities

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

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

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

(Amounts in Thousands)  
Net Debt Service for Colorado School of Mines' Interest Rate Swap Agreement

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

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

(Amounts in Thousands)

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

**Component Units**

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

(Amounts in Thousands)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Primary Government**

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

(Amount in Thousands)

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

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

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

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

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

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

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

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

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

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

**Component Units**

Changes in long-term liabilities are summarized as follows:

(Amounts in Thousands)

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

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

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

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

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

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

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

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

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

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

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

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

**NOTE 26 – DEFEASED DEBT**

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

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

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

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

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

**NOTE 27 – POLLUTION REMEDIATION OBLIGATIONS**

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

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

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

- DPHE recorded a liability for remediation activities at the Summitville Mine of approximately \$68.0 million related to the operation of a water treatment plant. Currently the department shares the cost of operating the water treatment plant, construction of a new treatment plant in Fiscal Year 2011-12, and the operating and maintenance costs of the new plant with the Environmental Protection Agency (EPA) in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in calendar year 2023, the State will assume 100 percent of the operating costs of the new plant. Estimated construction costs are based on engineering designs and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs. As of June 30, 2011, the State has received \$11.0 million in recoveries from other responsible parties.

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

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

**NOTE 28 – DERIVATIVE INSTRUMENTS**

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

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

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

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

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

**NOTES 29 Through 32 – DETAILS OF NET ASSETS AND FUND EQUITY**

**NOTE 29 – PRIOR PERIOD ADJUSTMENTS AND ACCOUNTING CHANGES**

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

**A. PRIOR PERIOD ADJUSTMENTS**

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

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

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

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

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

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

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

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

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

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

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

**B. ACCOUNTING CHANGES**

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

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

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

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

NOTE 30 – FUND EQUITY

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

(Amounts in Thousands)

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

(Amounts in Thousands)

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

**NOTE 31 – STABILIZATION ARRANGEMENTS**

In accordance with C.R.S. 24-75-201.1(d) the State maintains a General Purpose Revenue Fund statutory reserve for purposes of budget stabilization. The reserve is calculated as four percent of General Purpose Revenue Fund appropriations. C.R.S. 24-75-201.5(1)(a) further requires the Governor to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. In conjunction with the Governor's actions to reduce expenditures, the legislature historically takes action to use the reserve and for Fiscal Year 2010-11 the legislature acted to set the reserve at 2.3 percent of General Purpose Revenue Fund appropriations, thereby allowing the appropriation of 1.7 percent of the reserve. Historically, the statutory reserve has only been expended during recessionary periods when other budget measures have been exhausted. As of June 30, 2011, there were no reserves on a GAAP basis; however, on a legal budgetary basis the reserve contained reserves at the 2.3 percent level of \$156.6 million. See further detail regarding GAAP versus budget in Note 61.

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

**NOTE 32 – MINIMUM FUND BALANCE POLICIES**

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

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

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

**NOTE 33 – INTERFUND RECEIVABLES AND PAYABLES**

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

	General Fund	Resource Extraction	Highway Users Tax	Capital Projects	State Education Fund
<b>SELLER'S/LENDER'S RECEIVABLE</b>					
<b>MAJOR FUNDS:</b>					
General Fund					
General Purpose	\$ 190	\$ -	\$ 4,568	\$ 1	\$ -
Special Purpose	68,135	-	-	-	-
Resource Extraction	1,213	-	-	112	-
Highway Users	143	-	-	145	-
Capital Projects					
Regular Capital Projects	-	-	-	-	-
State Education	221,372	-	-	-	-
Higher Education Institutions	3,275	895	251	-	31
<b>NONMAJOR FUNDS:</b>					
<b>SPECIAL REVENUE FUNDS:</b>					
Labor	158	-	-	-	-
Tobacco Impact Mitigation	-	-	-	-	-
Resource Management	-	-	-	-	-
Environment and Health Protection	59	-	31	-	-
Other Special Revenue	61	-	-	-	-
<b>PERMANENT FUNDS:</b>					
State Lands Trust Expendable	-	-	-	-	-
<b>ENTERPRISE FUNDS:</b>					
CollegeInvest	24	-	-	-	-
Wildlife	-	-	-	-	-
Correctional Industries	-	-	-	-	-
State Nursing Homes	1,414	-	-	-	-
<b>INTERNAL SERVICE FUNDS:</b>					
Central Services	-	-	-	-	-
Information Technology	1,988	-	-	315	-
Capitol Complex	15	-	-	-	-
<b>FIDUCIARY FUNDS:</b>					
Group Benefit Plans	19,792	-	4	-	-
College Savings Plan	-	-	-	-	-
Other Fiduciary	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 317,839</b>	<b>\$ 895</b>	<b>\$ 4,854</b>	<b>\$ 573</b>	<b>\$ 31</b>

(Amounts in Thousands)

**BUYER'S/BORROWER'S PAYABLE**

	Higher Education Institutions	Unemployment Insurance	State Lottery	All Other Funds	Total
\$	468	\$ 1,720	\$ 9	\$ 32,968	\$ 39,924
	-	-	13,469	3,478	85,082
	-	-	-	-	1,325
	-	-	-	-	288
	13,711	-	-	-	13,711
	-	-	-	-	221,372
	-	-	-	5,333	9,785
	-	-	-	-	158
	-	-	-	3,864	3,864
	-	-	-	124	124
	-	-	-	-	90
	1	-	-	1,548	1,610
	-	-	-	3,478	3,478
	-	-	-	-	24
	-	-	-	62	62
	2,956	-	-	-	2,956
	-	-	-	-	1,414
	5	-	-	-	5
	-	-	-	-	2,303
	-	-	-	-	15
	974	-	-	-	20,770
	-	-	-	4,766	4,766
	-	-	12,144	-	12,144
\$	18,115	\$ 1,720	\$ 25,622	\$ 55,621	\$ 425,270

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

The Special Purpose General Fund receivable of \$68.1 million includes \$67.5 million for the Public School Fund (Special Purpose General Fund) payable from the General Purpose Revenue Fund. This is a portion of the excess General Fund Surplus transfer for Fiscal Year 2010-11 required in accordance with CRS 24-75-201.1. The cash transfer will occur upon the issuance of the State's Comprehensive Annual Financial Report. The State Education Fund receivable of \$221.4 million represents the remainder of the General Fund Surplus transfer referenced in the preceding paragraph, also payable from the General Purpose Revenue Fund.

The Group Benefits Plan Fund receivable of \$19.8 million from the General Purpose Revenue Fund primarily represents the health insurance benefits premium portion of payroll for services provided in the fiscal year that is required by statute to be paid in the next fiscal year.

The Capital Projects Fund receivable of \$13.7 million represents the required cash contributions from the University of Colorado for its share of appropriated capital project vendor payables that were outstanding at fiscal year end.

The Special Purpose General Fund receivable of \$13.5 million was recorded by the Conservation Trust Fund (a Special Purpose General Fund) and the Other Fiduciary Fund receivable of \$12.1 million was recorded by the State Treasurer for the Great Outdoors Colorado Fund. Both of these are statutory distributions of the Lottery net profits.

The General Purpose Revenue Fund receivable of \$33.0 million from All Other Funds includes \$20.4 million of receivables from the Limited Gaming Fund and \$9.4 million from various cash funds to support incurred Medicaid expenditures.



**NOTE 34 – TRANSFERS BETWEEN FUNDS**

Transfers between funds for the fiscal year ended June 30, 2011, were as follows:

	General Fund	Resource Extraction	Highway Users Tax
<b>TRANSFER-OUT FUND</b>			
<b>MAJOR FUNDS:</b>			
General Fund			
General Purpose	\$ 2,885,606	\$ -	\$ -
Special Purpose	53,995	-	-
Resource Extraction	189,499	-	-
Highway Users Tax	58,114	-	-
Capital Projects			
Regular Capital Projects	-	-	500
Special Capital Projects	81	-	-
State Education	1,192	-	-
Higher Education Institutions	7,601	-	-
Unemployment	2,205	-	-
Lottery	56,615	-	-
<b>NONMAJOR FUNDS:</b>			
<b>SPECIAL REVENUE FUNDS:</b>			
Labor	38,610	-	-
Gaming	23,926	-	-
Tobacco Impact Mitigation	201,511	-	-
Resource Management	20,760	2	-
Environment and Health Protection	472,375	-	-
Unclaimed Property	2,031	-	-
Other Special Revenue	70,180	-	-
<b>PERMANENT FUNDS:</b>			
State Lands Trust Nonexpendable	-	-	-
State Lands Trust Expendable	137,852	-	-
Other Permanent Trust Nonexpendable	-	-	-
<b>ENTERPRISE FUNDS:</b>			
CollegeInvest	15,494	-	-
Wildlife	7,268	296	-
College Assist	115	-	-
State Fair	143	-	-
Correctional Industries	330	-	-
State Nursing Homes	1,765	-	-
Prison Canteens	50	-	-
Petroleum Storage	905	-	-
Transportation Enterprise	-	-	905
Other Enterprise	240	-	-
<b>INTERNAL SERVICE FUNDS:</b>			
Central Services	1,567	-	-
Information Technology	1,193	-	-
Telecommunications	363	-	-
Capitol Complex	879	-	-
Public Safety	16	-	-
Administrative Courts	258	-	-
Other Internal Service	343	-	-
<b>FIDUCIARY FUNDS:</b>			
Group Benefit Plans	250	-	-
Other Fiduciary	92	-	-
<b>TOTAL</b>	<b>\$ 4,253,424</b>	<b>\$ 298</b>	<b>\$ 1,405</b>

(Amounts in Thousands)

**TRANSFER-IN FUND**

Capital Projects	State Education	Higher Education Institutions	All Other Funds	TOTAL
\$ 11,985	\$ 221,372	\$ 135,446	\$ 21,281	\$ 3,275,690
6,193	42	-	5,943	66,173
723	-	12,386	6,451	209,059
2,185	-	-	169,841	230,140
2,870	-	10,093	8,048	21,511
7,293	-	-	21,073	28,447
-	-	5,503	-	6,695
-	-	-	-	7,601
-	-	-	-	2,205
-	-	-	1,256	57,871
1,578	-	-	-	40,188
6,623	-	5,582	3,317	39,448
9,896	-	15,674	2,510	229,591
4,913	-	-	76	25,751
-	-	-	6,117	478,492
-	-	-	-	2,031
713	68	-	219	71,180
1,797	-	792	498	3,087
406	-	103	11	138,372
-	-	-	15	15
-	-	-	-	15,494
-	-	-	225	7,789
-	-	-	-	115
-	-	-	-	143
-	-	-	-	330
-	-	-	-	1,765
1,897	-	-	-	1,947
-	-	-	-	905
-	-	-	-	905
-	-	-	-	240
-	-	-	-	1,567
-	-	-	-	1,193
-	-	-	4,406	4,769
-	-	-	457	1,336
-	-	-	-	16
-	-	-	-	258
-	-	-	-	343
-	-	-	-	250
-	-	-	-	92
\$ 59,072	\$ 221,482	\$ 185,579	\$ 251,744	\$ 4,973,004

In the normal course of events, the Legislature appropriates a large number of transfers between funds exercising its responsibility to allocate the State's resources to programs shown in the above schedule. The most significant of these are the transfers-out of the General Purpose Revenue Fund and into the State Public School Fund of \$2,797.8 million (a Special Purpose General Fund), and into the Higher Education Institutions of \$135.4 million (primarily for student financial aid, occupational education, and job training).

In response to continuing fiscal stress caused by revenue shortfalls, the Governor and the Legislature authorized significant nonroutine transfers totaling \$158.1 million from various funds to augment the General Purpose Revenue Fund, including transfers from various major and nonmajor funds, as follows:

Resource Extraction (major governmental fund)

- \$70.0 million from the Severance Tax Fund
- \$16.0 million from the Base Account of the Severance Tax Trust Fund
- \$15.0 million from the Mineral Leasing Fund
- \$7.0 million from the Higher Education Federal Mineral Lease Revenues Fund

Tobacco Mitigation Impact (nonmajor special revenue fund)

- \$6.7 million from the Short-Term Innovative Health Program Grant Fund

Labor (nonmajor special revenue fund)

- \$10.0 million from the Major Medical Fund

Nonmajor special revenue funds

- \$33.4 million from 23 funds where individual transfer amounts did not exceed \$5.0 million

During the 2011 legislative session Senate Bill 11-230 was enacted to provide for the distribution of General Fund Surplus. Of the General Fund Surplus of \$288.9 million, \$67.5 million was transferred to the Public School Fund, a Special Purpose General Fund, and \$221.4 million was transferred to the State Education Fund, a major Governmental Fund.

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

Transfers-out from the special-purpose funds within the General Fund primarily comprise \$43.4 million in transfers from the Public School Fund to the Charter School Institute Fund.

The Highway Users Tax Fund transfer-out to the General Purpose Revenue Fund includes \$47.4 million transferred to the Department of Revenue and \$6.7 million to the Department of Public Safety to support programs that generate revenue for or that provide services to the Highway Users Tax Fund.

The Highway Users Tax Fund transfer-out to All Other Funds includes \$169.1 million to the Debt Service Fund to pay debt service on Transportation Revenue Anticipation Notes issued by the Department of Transportation.

The Lottery transfer-out to the Special Purpose General Fund primarily comprises \$45.3 million to the Conservation Trust Fund in the Department of Local Affairs as a statutory distribution of Lottery net proceeds.

The Labor transfer-out to the General Purpose Revenue Fund includes \$25.3 million from the Employment Support Fund to fund employment related activities at the Department of Labor and Employment.

The Tobacco Impact Mitigation Fund transfers-out to the General Purpose Revenue Fund includes \$173.9 million in transfers to the Department of Health Care Policy and Financing for the purchase of medical services.

The Resource Extraction transfer-out to the Special Purpose General Fund includes a \$65.0 million transfer from the Mineral Leasing Fund to the Department of Education State Public School Fund.

The Environment and Health Protection transfer-out to the General Purpose Revenue Fund includes \$461.6 million in transfers to the Department of Health Care Policy and Financing primarily from the Hospital Provider Fee Cash Fund (\$424.2 million) and the Medicaid Nursing Facility Cash Fund (\$30.8 million).

Transfers from the Other Special Revenue to the General Purpose Revenue Fund also include approximately \$61.3 million of legislatively mandated transfers to fund programs in agencies that operate primarily in the General Purpose Revenue Fund that are in addition to appropriated indirect cost transfers.

The State Lands Trust Expendable transfer-out to the General Fund includes \$137.5 million for the State Public School Fund (a Special Purpose General Fund) related to distributions to school districts and charter schools.

**NOTE 35 – UNUSUAL OR INFREQUENT TRANSACTIONS**

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

Fort Lewis State College sold 357 acres of land to the City of Durango for \$1,650,000 less closing costs. The net proceeds of \$1,492,813 were deposited in a quasi-endowment. The event was considered a special item because it was within the control of management and infrequent in occurrence.

**NOTE 36 – DONOR RESTRICTED ENDOWMENTS**

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

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

Colorado State University reported \$12,204 of net appreciation on its donor-restricted endowments, and the full amount was available for spending. The university reported the related net assets in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Assets – Proprietary Funds*. The President of the university authorizes the expenditure of investment income from endowment earnings, and the university's Board of Governors is notified of those expenditures.

Colorado State University reported \$1.56 million of net appreciation on its donor-restricted endowments held by its foundation and the full amount was available for spending. The university reported a portion of the related net assets in Restricted for Permanent Funds and Endowments – Nonexpendable and a portion of the related net assets in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Assets – Proprietary Funds*. The payout policy of the Colorado State University Foundation governs expenditure of these funds. The policy assumes a 10 percent return on investment, a 4 to 5 percent pay out, a management fee of 1 to 2 percent, and a return to principal sufficient to preserve the purchasing power of the endowment.

The University of Northern Colorado reported \$297,272 of net appreciation on its donor-restricted endowments, and the full amount was available for spending. The university reported the related net assets in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Assets – Proprietary Funds*.

**NOTE 37 – PLEDGED REVENUE**

Various institutions of higher education and the Highway Users Tax Fund have issued bonds, notes, and/or Certificates of Participation (COPs) for the purchase of equipment, and the construction of facilities and infrastructure. Specific user revenues are pledged for the payments of interest and future retirement of the obligations. In Fiscal Year 2010-11, the following pledges were in place:

The Department of Transportation pledged \$168.0 million of federal grants under agreement with the Federal Highway Administration and certain motor vehicle fees and taxes of the Highway Users Tax Fund to meet the debt service commitment on the agency's Tax Revenue Anticipation Notes. The debt was originally issued in Fiscal Year 1999-00 to finance the reconstruction of a portion of a major interstate highway through Denver and other infrastructure projects across the State, and it has a final maturity date of Fiscal Year 2016-17. The pledged revenue represents approximately 14.4 percent of the total revenue stream, and \$970.3 million of the pledge commitment remains outstanding.

The Department of Transportation Statewide Bridge Enterprise pledged \$74.3 million of federal highway funds, Build America Bonds, and surcharges to meet the current year interest payments on debt issued for construction activities related to the Funding Advancement for Surface Transportation and Economic Recovery (FASTER) Bridge Program. The debt was originally issued in Fiscal Year 2010-11, and has a final maturity date of Fiscal Year 2040-41. The pledged revenue represents 100 percent of the revenue stream, and \$716.4 million of the pledge commitment remains outstanding.

Higher Education Institutions have pledged auxiliary fees primarily related to student housing rent, and in some cases tuition, to meet the debt service commitment of their various bond issues. The debt issues involved had an earliest origination date in Fiscal Year 1995-96 and furthest maturity date of Fiscal Year 2044-45. In some instances the gross revenue of the activity is pledged and in other instances the net available revenue is pledged. Total pledged revenue of the Higher Education Institutions is approximately \$628.3 million. Individually significant Higher Education Institution pledges include:

- \$273.6 million pledged by the University of Colorado to secure \$87.0 million of current principal and interest on debt issued to finance the construction of enterprise facilities and to refund prior enterprise debt. The related debt was originally issued in Fiscal Year 1995-96 and has a final maturity date of Fiscal Year 2037-38. The pledged revenue represents approximately 50.4 percent of the revenue stream, and \$1.78 billion of the pledge (principal and interest) remains outstanding.

- \$185.3 million pledged by Colorado State University to secure \$25.7 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain recreation, research, athletic, and academic facilities. The related debt was originally issued in Fiscal Year 2002-03 and has a final maturity date of Fiscal Year 2039-40. The pledged revenue represents 100 percent of the total revenue stream, and \$800.4 million of the pledge (principal and interest) remains outstanding.
- \$35.1 million pledged by the Colorado School of Mines to secure \$19.6 million of current principal and interest on debt issued to finance refunding of previous debt and for capital improvements. The related debt was originally issued in Fiscal Year 1998-99 and has a final maturity date of Fiscal Year 2040-41. The pledged revenue represents approximately 87.4 percent of the total revenue stream, and \$340.6 million of the pledge (principal and interest) remains outstanding.
- \$24.3 million pledged by Metropolitan State College of Denver to secure \$3.6 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain academic facilities. The related debt was originally issued in Fiscal Year 2009-10 and has a final maturity date of Fiscal Year 2040-41. The pledged revenue represents 100 percent of the total revenue stream, and \$131.4 million of the pledge (principal and interest) remains outstanding.
- \$15.9 million pledged by Colorado Mesa University to secure \$6.5 million of current principal and interest on debt issued to construct auxiliary facilities. The related debt was originally issued in Fiscal Year 2002-03 and has a final maturity date of Fiscal Year 2041-42. The pledged revenue represents approximately 52.8 percent of the revenue stream, and \$286.3 million of the pledge (principal and interest) remains outstanding.
- \$15.1 million pledged by the Auraria Higher Education Center to secure \$5.5 million of current principal and interest on debt issued to renovate the Student Union and to build parking structures. The related debt was originally issued in Fiscal Year 2002-03 and has a final maturity date of Fiscal Year 2028-29. The pledged revenue represents 100 percent of the total revenue stream, and \$90.7 million of the pledge (principal and interest) remains outstanding.

- \$23.8 million pledged by the University of Northern Colorado to secure \$9.3 million of current principal and interest on debt issued to finance refunding of previous debt and for improvements of auxiliary facilities. The related debt was originally issued in Fiscal Year 2000-01 and has a final maturity date of Fiscal Year 2039-40. The pledged revenue represents 37.1 percent of the total auxiliary and student fee revenue streams and also represents 10.0 percent of gross tuition revenues. \$235.7 million of the pledge (principal and interest) remains outstanding.
- \$7.7 million pledged by Colorado State University – Pueblo to secure \$3.3 million of current principal and interest on debt issued to finance construction, remodeling, and acquisition of the Student Center, recreation facilities and student housing facilities. The related debt was originally issued in Fiscal Year 2003-04 and has a final maturity date of Fiscal Year 2038-39. The pledged revenue represents 47.2 percent of the revenue stream, and \$129.1 million of the pledge (principal and interest) remains outstanding.

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

(Amounts In Thousands)

Agency Name	Gross Revenue	Direct Operating Expense	Available Net Revenue	Debt Service Requirements		
				Principal	Interest	Total
Department of Transportation	\$ 1,162,586	\$ (994,596)	\$ 167,990	\$ 119,385	\$ 48,605	\$ 167,990
Higher Education Institutions	1,025,079	(487,781)	537,298	64,345	110,488	174,833
Statewide Bridge Enterprise	74,280	-	74,280	-	8,408	8,408
	<u>\$ 2,261,945</u>	<u>\$ (1,482,377)</u>	<u>\$ 779,568</u>	<u>\$ 183,730</u>	<u>\$ 167,501</u>	<u>\$ 351,231</u>

**NOTE 38 – SEGMENT INFORMATION**

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

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

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

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

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

	UNIVERSITY OF COLORADO	AURARIA HIGHER EDUCATION CENTER	
(DOLLARS IN THOUSANDS)	UNIVERSITY PHYSICIANS INCORPORATED	PARKING FACILITIES	STUDENT FACILITIES
<b>ASSETS:</b>			
Current Assets	\$ 129,866	\$ 9,058	\$ 10,671
Other Assets	82,211	7,188	362
Capital Assets	45,207	35,127	30,839
<b>Total Assets</b>	<u>257,284</u>	<u>51,373</u>	<u>41,872</u>
<b>LIABILITIES:</b>			
Current Liabilities	30,281	3,781	4,549
Noncurrent Liabilities	16,886	30,147	28,111
<b>Total Liabilities</b>	<u>47,167</u>	<u>33,928</u>	<u>32,660</u>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt	27,579	2,214	1,672
Other Restricted Net Assets	-	6,621	401
Unrestricted	182,538	8,610	7,139
<b>Total Net Assets</b>	<u>\$ 210,117</u>	<u>\$ 17,445</u>	<u>\$ 9,212</u>

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

<b>OPERATING REVENUES:</b>			
Tuition and Fees	\$ -	\$ -	\$ 5,902
Sales of Goods and Services	415,591	8,904	23,792
Other	-	-	58
<b>Total Operating Revenues</b>	<u>415,591</u>	<u>8,904</u>	<u>29,752</u>
<b>OPERATING EXPENSES:</b>			
Depreciation	2,912	1,732	2,040
Other	398,367	4,380	23,583
<b>Total Operating Expenses</b>	<u>401,279</u>	<u>6,112</u>	<u>25,623</u>
<b>OPERATING INCOME (LOSS)</b>	<u>14,312</u>	<u>2,792</u>	<u>4,129</u>
<b>NONOPERATING REVENUES AND (EXPENSES):</b>			
Investment Income	4,979	304	124
Other Nonoperating Revenues	1,542	-	-
Debt Service	(443)	(1,662)	(1,311)
Other Nonoperating Expenses	(8,613)	-	-
<b>Total Nonoperating Revenues(Expenses)</b>	<u>(2,535)</u>	<u>(1,358)</u>	<u>(1,187)</u>
<b>CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:</b>			
Transfers-In	-	(723)	(3,079)
<b>Total Contributions, Transfers, and Other</b>	<u>-</u>	<u>(723)</u>	<u>(3,079)</u>
<b>CHANGE IN NET ASSETS</b>	<u>11,777</u>	<u>711</u>	<u>(137)</u>
<b>TOTAL NET ASSETS - FISCAL YEAR BEGINNING</b>	<u>198,340</u>	<u>16,734</u>	<u>9,349</u>
<b>TOTAL NET ASSETS - FISCAL YEAR ENDING</b>	<u>\$ 210,117</u>	<u>\$ 17,445</u>	<u>\$ 9,212</u>

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

<b>NET CASH PROVIDED (USED) BY:</b>			
Operating Activities	\$ 19,058	\$ 3,807	\$ 7,031
Noncapital Financing Activities	(8,613)	(2,625)	(2,943)
Capital and Related Financing Activities	(12,647)	1,278	(3,041)
Investing Activities	22,471	-	685
<b>NET INCREASE (DECR.) IN CASH AND POOLED CASH</b>	<u>20,269</u>	<u>2,460</u>	<u>1,732</u>
<b>CASH AND POOLED CASH, FISCAL YEAR BEGINNING</b>	<u>46,171</u>	<u>6,419</u>	<u>5,542</u>
<b>CASH AND POOLED CASH, FISCAL YEAR ENDING</b>	<u>\$ 66,440</u>	<u>\$ 8,879</u>	<u>\$ 7,274</u>

**NOTE 39 – COMPONENT UNITS**

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

**A. MAJOR COMPONENT UNITS**

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

The Colorado Water Resources and Power Development Authority's purpose is to initiate, acquire, construct, maintain, repair, and operate, or cause to be operated, projects for the protection, preservation, conservation, upgrading, development, and utilization of the water resources of the State. The authority is authorized to issue bonds, notes, or other obligations which constitute its debt and not the debt of the State of Colorado. The authority's primary revenue sources are investment income on bond proceeds, interest on loans made to local governments from bond proceeds, administrative charges on the loans, and EPA grants. The authority paid the State \$6.9 million during 2010 for services provided by two State departments.

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

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

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

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

The University of Northern Colorado Foundation is a tax-exempt organization incorporated in 1996 to provide financial resource development and support to the University of Northern Colorado. The foundation's primary revenue is derived from exempt contributions and investment income. During Fiscal Year 2010-11, the foundation granted \$4.5 million to the university.

**B. NONMAJOR COMPONENT UNITS**

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

CoverColorado is a not-for-profit public entity created to provide access to health insurance for those Colorado residents who are unable to obtain health insurance, or are unable to obtain health insurance except at prohibitive rates or with restrictive exclusions. Legislation enacted in 2001 authorized the CoverColorado board of directors to assess a special fee against insurers for the financial solvency of the program. In March 2010 with the passage of the Patient Protection and Affordable Care Act, the need for high risk insurance pools such as CoverColorado will be eliminated. CoverColorado will likely only exist until December 31, 2013.

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

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

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

The Renewable Energy Authority was created during the 2006 legislative session to direct the allocation of State matching funds for energy-related research funding from federal agencies and other public and private entities. The allocation of moneys is directed by the Renewable Energy Collaboratory which comprises the U.S. Department of Energy's National Renewable Energy Laboratory, the Colorado School of Mines, Colorado State University, and the University of Colorado.

The enabling legislation allocated the authority \$2.0 million in each of Fiscal Years 2006-07 through 2008-09 for this purpose. Due to the economic downturn however, only \$1.2 million was appropriated in 2009. The authority has provided a total of \$3.5 million in matching funds to the research centers as of December 31, 2010. The authority has until 2012 to demonstrate that at least \$6 million in grants and contracts for renewable energy research in Colorado has been secured through the availability of the matching funds.

The Higher Education Competitive Research Authority was created during the 2007 legislative session to provide matching funds for inclusion in grant proposals made by institutions of higher education for federally sponsored research projects. The authority received all of its funding for Fiscal Year 2010-11 through an appropriation to the Department of Higher Education. As of June 30, 2011, the authority has made commitments to provide matching funds for eleven research proposals, six of which, totaling \$6.4 million, are currently funded.

The Statewide Internet Portal Authority was formed in the 2004 legislative session to provide a single point of access to electronic government information. The authority has partnered with Colorado Interactive, a subsidiary of NIC, Inc., to design, implement, and maintain a statewide portal to provide an alternate way to transact business with State and local governments. The agreement with Colorado Interactive provides for fees and charges assessed to the users of the portal to be passed on to the participating governmental agencies, as well as a base fee and percentage of revenue to fund the authority's operations. The agreement expires May 2014. In 2010 the authority entered into a five-year agreement with Tempus Nova, Inc. to provide certain Google applications and licenses to its participating governments on a cost reimbursement basis, as well beginning to license software as a service. For the fiscal year ended June 30, 2011, the authority recognized \$2.7 million in fee revenue.

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

The University of Colorado Real Estate Foundation (CUREF), a non-for-profit tax exempt organization as described in Section 501(c)(3) of the Internal Revenue Service Code, was incorporated in 2002 as a nonprofit corporation to receive, hold, invest, and administer real and personal property, borrow money, and make expenditures to, or for the benefit, of the University of Colorado. CUREF carries out its real estate investing activities through direct ownership, management, and operation of certain real estate and through participation with other investors. As of June 30, 2011, CUREF was the sole member of six limited liability corporations with various interests in land, real estate LLCs, student housing, and office and industrial buildings.

**NOTE 40 – RELATED PARTIES AND ORGANIZATIONS**

The Colorado State University - Pueblo Foundation was established to benefit the Colorado State University - Pueblo. The foundation transferred \$1.4 million to the university during Fiscal Year 2010-11, owed the university \$1.0 million, and was due \$50,000 from the university at June 30, 2011.

The Adams State College Foundation provides scholarships and work-study grants to students, provides funding for athletics and administration, as well as providing program development grants to Adams State College. The foundation provided \$1.0 million in scholarships and grants during Fiscal Year 2010-11.

The Colorado Mesa University Foundation provides financial assistance to Colorado Mesa University students and assists the university in serving educational needs. In Fiscal Year 2010-11, the foundation awarded \$511,010 of scholarships directly to Colorado Mesa University students, provided approximately \$2.2 million in property. The university has a lease-purchase agreement with the foundation for the acquisition of property. The remaining term of the lease is 8 years and it requires payment of interest at 3 percent; the university owed the foundation \$1.2 million under this agreement at June 30, 2011.

Metropolitan State College of Denver Foundation, Inc. was organized and is operated to promote the general welfare of Metropolitan State College of Denver. The foundation provided \$2.3 million of funding to the college in Fiscal Year 2010-11. The foundation also reimbursed the college \$218,376 for services provided by college employees in Fiscal Year 2010-11. At June 30, 2011, the foundation owed the college \$392,651. As of this date, the college also had payables to the foundation of \$36,378.

Western State College Foundation was established to aid Western State College in fulfilling its educational mission. The foundation transferred \$3.3 million to the college in Fiscal Year 2010-11.

Most of the State's community colleges have established foundations to assist in their educational missions. With the exception of Northeastern Junior College and Colorado Northwestern Community College, none of these foundations made annual transfers to their related community colleges in excess of \$500,000. The Northeastern Junior College Foundation provided support to Northeastern Junior College in the amount of \$1.0 million for scholarships, grants, construction, and administrative costs. The Colorado Northwestern Community College Foundation provided support to Colorado Northwestern Community College in the amount of \$1.6 million for scholarships, instruction, athletics, administration, fund raising, and construction.

The University of Colorado Foundation is the sole member of CUF Boulder I, LLC and CUF Boulder II,

LLC (the LLCs). The LLCs were formed in September 2009 for the purposes of purchasing specific buildings near the University of Colorado at Boulder. In September 2010, the University of Colorado Boulder purchased the assets of CUF Boulder I, LLC. At June 30, 2011 \$22.3 million of net property investments were held by CUF Boulder II.

The University of Northern Colorado Foundation is the sole member of the University of Northern Colorado Student Housing LLC I (the LLC). The LLC was formed in 2001 to construct and operate a student housing facility and pays rent to the university equal to its net available cash flow as defined in a ground lease with the university that terminates in 2047. Title to the student housing facility transfers to the university at the end of the ground lease or upon earlier retirement of the bond issue. The foundation is not obligated under the bonds issued to finance the LLC's student housing facility, however the university has guaranteed payment on these bonds. The bonds include provisions whereby the guarantee can be terminated. Management of the university believes provisions for termination of the guarantee have been met. At June 30, 2011, the LLC had capital assets of \$13.1 million, other assets of \$6.8 million, long-term debt of \$22.8 million, and current liabilities of \$1.1 million. The total liabilities of the foundation exceeded its total assets by \$4.0 million. The LLC owed the University of Northern Colorado \$481,233 for a working capital loan at June 30, 2011.

The Auraria Foundation, a legally separate tax-exempt component of the Auraria Higher Education Center (AHEC), was established to receive gifts, legacies, and grants of money and property for the purpose of benefiting the AHEC. At June 30, 2011, the foundation provided support to AHEC in the amount of \$1.8 million for construction, administrative and other expenses.

The Fort Lewis College Foundation provides gifts, scholarships, and capital donations to Fort Lewis College. The foundation provided \$3.3 million in support during Fiscal Year 2010-11. At June 30, 2011, the foundation owed the college \$345,387.

The Great Outdoors Colorado Board (GOCO) is a constitutionally created entity whose purpose is to administer the GOCO Program and Trust Fund. The purpose of the program is to promote the wildlife and outdoor recreation resources of the State using funds it receives from the Colorado Lottery. During Fiscal Year 2010-11, the board funded \$33.3 million of wildlife and parks programs at the Department of Natural Resources. At June 30, 2011, GOCO owed the Department of Natural Resources \$16.3 million in unreimbursed expenditures.

The Colorado Housing Finance Authority (CHFA) Bond Program supports existing programs administered by CHFA that provide loans to small businesses, farms and ranches within the State of Colorado. The CHFA operates these programs in coordination with the U.S. Small Business Administration, the Farm Service Agency, and the U.S. Rural Business Cooperative Service. The Department of Treasury holds five CHFA bonds purchased from 2003 through 2007 with a face value of \$11.0 as of June 30, 2011, and a total original face value of \$24.2 million. The Department receives monthly payments from CHFA for all principal payments and interest collected by the Authority. On the bond maturity dates ranging from 2023 through 2027, the Department of Treasury will receive any unpaid principal balance of the bond, plus all accrued and unpaid interest.

CHFA also acts as the fiscal agent for the Governor's Energy Office State Energy Plan grant that provides loans for energy efficiency or renewable energy projects. CHFA retains an annual loan servicing fee of 0.05 percent on the outstanding principal balance of each loan. As of June 30, 2011, CHFA held cash of \$8.0 million for administration of the grant program.

**Component Units**

The University of Colorado Hospital Authority and the University of Colorado Denver (UCD) had previously developed and received approval for an Institutional Master Plan to create a new academic health sciences center on the Anschutz Medical Campus. An original ground lease, entered into in 1998 for a period of 30 years, provided for approximately 18.4 acres of property acquired by the University of Colorado Regents from the U.S. Department of Education pursuant to a quitclaim deed. Subsequent agreements between the parties have provided additional land to the hospital to continue the development of the Anschutz Medical Campus allowing the hospital to expand its facilities with an office tower, parking garage, inpatient tower, and additional staff and patient parking. The hospital is planning to continue development with a second inpatient tower and parking garages on its current leased space to meet growing demand for inpatient services.

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

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

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

The hospital entered certain provider and network management agreements with TriWest. TriWest was formed to deliver health care services to eligible beneficiaries of TriCare, formerly known as CHAMPUS – the Civilian Health and Medical Program of the Uniformed Services. On June 27, 1996, the U.S. Department of Defense awarded TriWest the TriCare contract for a five-year period that began April 1997. The contract was renewed and includes a transition period plus five one-year option periods for healthcare delivery beginning April 1, 2010. As part of the agreements, the hospital originally purchased a minority interest in TriWest for approximately \$3.3 million. It subsequently sold 1,656.55 shares in October 2007 to TriWest for approximately \$18.1 million. The investment in TriWest is accounted for under the cost method. The hospital received dividends of approximately \$0.6 million in July 2011.

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

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

negotiations with the Colorado Division of Insurance regarding required levels of risk-based capital.

The Venture Capital Authority (VCA) has Limited Partnership Agreements with Colorado Fund I, LP and Colorado Fund II, LP, and has selected High Country Venture, LLC, to serve as manager and general partner of both funds. The partnership agreements allocate income or loss 20 percent to the general partner and 80 percent to the limited partners in accordance with their respective partnership percentages. As of December 31, 2010, VCA's investments in Colorado Fund I and Colorado Fund II totaled \$23.1 million and \$1.4 million, respectively.

**NOTE 41 – ENCUMBRANCES**

Most encumbrances are supported by annual appropriations and lapse at year-end. However, the Capital Projects Fund and the Highway Users Tax Fund include multi-year encumbrances of \$58.8 million and \$854.3 million, respectively, that are related to purchase orders and long-term contracts for the construction of major capital projects and infrastructure. In the General Fund (\$6.7 million), Resource Extraction Fund (\$0.7 million), Regular Capital Projects Fund (\$3.3 million), and Other Special Revenue Funds (\$3.8 million) encumbrances include approved rollforwards of annual appropriations for goods and services that were not received before June 30 due to extenuating circumstances, annual appropriations with express legislative intent to rollforward, and earned augmenting revenue for specific non-legislatively directed purposes going beyond the fiscal year end, such as insurance proceeds.

**NOTE 42 – CONTINGENCIES**

The Colorado Governmental Immunity Act sets upper limits on State liability at \$150,000 per individual and \$600,000 for two or more persons in a single occurrence. Judgments in excess of these amounts may be rendered, but the claimant must petition the General Assembly for an appropriation to pay any amount greater than the immunity limits. Judgments awarded against the State for which there is no insurance coverage or that are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid.

Numerous court cases are pending in which the plaintiffs allege that the State has deprived persons of their constitutional rights, civil rights, inadequately compensated them for their property, engaged in regulatory misfeasance, or breached contracts. In the aggregate, the monetary damages (actual, punitive, and attorney's fees) claimed in the constitutional and civil rights cases would exceed the insurance coverage available by a material

amount. One such claim exceeds \$122 million. The property compensation and breach of contract suits are generally limited to the appraised value of the property or the contract amount. In the breach of contract suits, the State often files counterclaims. While it is reasonably possible that awards of judgment could occur, it is unlikely that those awards would have a material adverse effect on the State's financial condition.

The State is the defendant in numerous lawsuits involving claims of inadequate, negligent, or unconstitutional treatment of prisoners, mental health patients, nursing home patients, or the developmentally disabled. In some of these suits, plaintiffs are seeking or have obtained certification as a class for a class action suit. Most of these cases seek actual damages that are not material but include requests for punitive damages that may be material. There is also the potential that the courts may rule that the current conditions of confinement, Medicaid coverage, or residential services are unconstitutional, which could result in significant future construction, medical, or residential services costs that are not subject to reasonable estimation.

The State is the defendant in lawsuits by employees accusing the State of various infractions of law or contract. These may include claims related to age and sex discrimination, sexual harassment, wrongful termination, contractual agreements for paying salaries based on parity and equity, and overtime compensation under the Federal Fair Labor Standards Act. The State does not believe that any of these cases are material to its financial operations.

In the event of adverse loss experience, which is defined as a default rate in excess of 9 percent, College Assist could be liable for up to 25 percent, or \$2.9 billion, of the \$11.4 billion outstanding balance of loans in repayment status. However, the probability of a material loss is remote, and the State's liability is capped at the net assets of the College Assist program of \$55.6 million.

At June 30, 2011, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately \$400.4 million in the names of lottery or lotto prizewinners. The probability is remote that any of the sellers of these contracts will default, and thereby require the State to pay the annuity.

The Colorado Department of Revenue routinely has claims for refunds in various stages of administrative and legal review that could result in refunds up to \$20.0 million individually. In addition, there a large number of conservation easement tax credit denial cases pending at the Department. Per legislation passed in 2011, the taxpayers involved must elect to proceed with administrative or district court resolution of their refund claims. Including potential penalties and interest, claims currently referred to the Attorney General total an estimated \$30 million and the total amount at issue is estimated at \$220 million. These amounts represent both unpaid income taxes and claims for income tax refunds.

Various notes and bonds have been issued by State school districts that may impact the State. Colorado statutes provide that if a district indicates it will not make a required payment to bondholders by the date on which it is due, the State Treasurer shall forward to the paying agent the amount necessary to make the payment. The State shall then withhold State property-tax-equalization payments to the defaulting school district for a period up to 12 months to cover the State's loss. Currently, notes or bonds valued at approximately \$7.87 billion are outstanding. Of this amount, \$4.56 billion is covered by private insurance.

The State of Kansas will likely seek injunctive relief against Colorado in a potential suit against Colorado and Nebraska claiming violations of the Republican River Compact. Although the State anticipates reaching a resolution with the State of Kansas prior to any suit being filed, the estimated potential damages range from \$1.0 million to \$10.0 million. The State has recorded a liability for the minimum amount of the potential damages range.

Many State agencies have grant and contract agreements with the federal government and other parties. These agreements generally provide for audits of the transactions pertaining to the agreements, with the State being liable to those parties for any disallowed expenditure. Individually significant disallowances are disclosed in the following paragraph.

The Department of Health Care Policy and Financing may be responsible for repaying the Centers for Medicare and Medicaid Services (CMS) approximately \$75.3 million in federal matching funds paid to Rocky Mountain Health Plan HMO (RMHP) for benefits paid to Medicaid clients during Fiscal Years 2008-09 through 2010-11. The payments were made to RMHP without the federally required claims review prior to payment. The State has established a process that has been accepted by CMS to accomplish a review of the claims in question. If the historical review is not completed, CMS has stated that potential disallowance of these payments may occur. The department has worked with CMS towards a resolution and assesses the probability of disallowance at 25 percent. The Department may also be required to repay CMS \$7.9 million because CMS rejected a State Plan Amendment designed to reduce rates for Non-Emergent Medical Transportation due to inadequate notification to clients.

School districts, students, and parents have filed suit against the State asserting that the current school funding system fails to provide a thorough and uniform system of free public education as required by the State Constitution. The plaintiffs seek to overturn the current funding system and ensure that additional funding of approximately \$1.35 billion to \$4.15 billion annually for operations funding and \$5.7 billion to \$17.9 billion for capital facility funding is provided. All claims were dismissed by the District Court and the Colorado Court of Appeals. After the Colorado

Court of Appeals decision, both the plaintiffs and the State petitioned the Colorado Supreme Court. The Supreme Court reversed the lower courts' ruling and remanded the case to District Court for trial, which concluded on September 2, 2011. On December 9, 2011, the District Court ruled in favor of the plaintiffs and held the State's school finance system is unconstitutional because it is inadequate and not rationally related to the constitutional mandate of a thorough and uniform system of free public education. The plaintiffs' action for declaratory and injunctive relief was stayed until final action by the Colorado Supreme Court upon appeal of the District Court's decision; provided that if appeal is not perfected to the Colorado Supreme Court, the District Court will review the stay upon application of either party submitted no earlier than the conclusion of the 2012 legislative session. The District Court's decision did not specify an immediate or long-term remedy, and the certainty, timing, and extent of fiscal impact on the State cannot be determined at this time. The State will appeal the ruling to the State Supreme Court. Estimates of plaintiff attorney fees and costs currently exceed \$1.0 million.

The Department of Human Services has been sued by a behavioral health clinic seeking damages of \$25.0 million plus additional legal costs. The plaintiff claims the department's licensing actions adversely affected their ability to operate their business. The licensing actions were overturned by an administrative law judge. The department is vigorously contesting the claims, and the State is unable to estimate the likelihood of an adverse outcome.

The State believes it has a reasonable possibility of favorable outcomes for the actions discussed in this Note 42, but the ultimate outcome cannot presently be determined. Except as otherwise noted, no provision for a liability has been made in the financial statements related to the contingencies discussed in this note.

**NOTE 43 – SUBSEQUENT EVENTS**

**Primary Government**

**A. DEBT ISSUANCES AND REFUNDINGS**

The High Performance Transportation Enterprise in the Department of Transportation received approval for a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan to fund the costs of building a managed lane on US 36. The maximum amount of the loan is \$54.0 million and carries an interest rate of 3.58%. The loan is to be used to fund up to 33 percent of the costs of the project, with other funds provided by the Regional Transportation District, the Bridge Enterprise, DRCOG, and grant funds.

On July 1, 2011, the University of Northern Colorado refinanced its 3.0 to 5.5 percent, Auxiliary Revenue

Refunding and Improvement bonds, issued July 31, 2001, in the original amount of \$50,000,000, and maturing in varying amounts through June 1, 2031. The refunding Institutional Enterprise Revenue Refunding Bonds, Series 2011A bonds were issued at fixed rate of 2.0 to 5.0 percent, in the amount of \$41,690,000, and mature in varying amounts through June 1, 2031.

On July 1, 2011, the University of Northern Colorado issued Variable Rate Demand Institutional Enterprise Revenue Refunding Bonds (Series 2011B) to purchase the Arlington Park Student Housing Facility and dissolved the University of Northern Colorado Student Housing LLC, a related organization. These bonds were issued at a variable rate projected at 3.5 percent, in the original amount of \$21,130,000, and maturing in variable amounts through June 1, 2036. This resulted in the termination of the ground lease between the LLC and the University.

On July 14, 2011, the State issued Education Loan Program Tax and Revenue Anticipation Notes (ETRAN), Series 2011A. The notes mature on June 29, 2012. The total due on that date includes \$100 million in principal and \$1,916,667 in interest. By statute, interest on the notes is payable from the General Fund. The ETRAN was issued with a premium of \$1,692,000, a coupon rate of 2.00 percent, and a true interest cost of 0.24 percent.

On July 19, 2011, the State issued General Fund Tax and Revenue Anticipation Notes (GTRAN), Series 2011A. The notes mature on June 27, 2012. The total due on that date includes \$500 million in principal and \$9,388,889 in interest. The GTRAN was issued with a premium of \$8,620,000, a coupon rate of 2.00 percent, and a true interest cost of 0.18 percent.

On August 9, 2011, Colorado Mesa University issued Auxiliary Facilities System Enterprise Revenue Bond Series 2011 for \$8,000,000. The bond matures in August 2021 with variable interest calculated as the product of the Bank Qualified factor times the sum of the Five Year Treasury (Constant Maturity) plus 210 basis points. The initial rate is 2.49 percent and shall remain in effect for a five-year period. Bond interest will be recalculated in 2016 and each successive year using the above formula. Colorado Mesa University may accept the recalculated rate for a period of five years or through the maturity date, whichever is shorter. The University is under no obligation to accept any recalculated rate.

On September 7, 2011, the Department of Transportation issued \$104,650,000 in Series 2011 Refunding Transportation Revenue Anticipation Notes (TRANS), to partially refund \$106,070,000 of the Series 2004A TRANS. The tax-exempt notes were issued with a premium of \$18,617,111, an average coupon rate of 4.92 percent, and a true interest cost of 1.43 percent. Interest payments are due semiannually starting on December 15, 2011, with the entire principal due at maturity on December 15, 2016.

On October 6, 2011, in a related party transaction, the State's Public School Permanent Fund invested \$4,875,000 in Treasury's Colorado Housing and Finance Authority Bond Program. The bond has a coupon rate of 2.92 percent and matures on October 6, 2031. Principal and interest received on December 1, 2011 for the period ending November 2011 was \$197,000 and \$22,143, respectively.

On December 8, 2011, the State issued Building Excellent Schools Today (BEST) Certificates of Participation, Series 2011G in the amount of \$146,635,000. BEST was issued as tax-exempt certificates with a premium of \$12,777,838, an average coupon rate of 4.89 percent, and a true interest cost of 4.00 percent. Base Rents are due semiannually beginning on March 15, 2012, with a final maturity date of March 15, 2032.

On December 13, 2011, the Board of Trustees of Western State College issued tax-exempt Institutional Enterprise Refunding Bonds Series 2011A in the amount of \$6,180,000, and tax-exempt Institutional Enterprise Refunding Bonds Series 2011B in the amount of \$6,550,000, to fully refund the Series 2003A and Series 2003B issuance. Interest rates range from 1.280 percent to 3.625 percent with principal due in varying amounts from May 15, 2012 through May 15, 2025.

**B. OTHER**

On April 8, 2011, the University of Colorado's Board of Regents approved the sale of the former Ninth Avenue campus in Denver for \$34,800,000. A nonrefundable amount of \$325,000 is on deposit from the purchase and sale agreement that was not terminated during a 150-day Investigation Period, which ended September 16, 2011. Another 120-day Rezoning Period began under which the buyer placed an additional \$300,000 in escrow that becomes nonrefundable unless the buyer terminates the contract within the next 120 days. In the event the agreement is completed, the amounts placed in escrow will be applied against the purchase price. As part of the agreement, the buyer is purchasing the property in "as-is" condition and will be responsible for all remaining site remediation.

College Assist submitted a Voluntary Flexible Agreement proposal in accordance with *Federal Register, Vol. 72, No. 104* issued May 31, 2011, in partnership with the Nebraska Student Loan Program. If accepted, College Assist will operate under the requirements of the agreement in lieu of the current guaranty agency agreement. It is anticipated that the proposal will improve College Assist's long-term financial position.

Colorado State University received an in-kind gift of software in August 2011 with a commercial value of \$44.5 million. The software will be used in the University's EcoCAR program.

The long-term sovereign credit of the United States of America was placed on negative CreditWatch by Standard & Poor's, effective July 14, 2011. On August 5, 2011, Standard & Poor's reduced that credit rating from AAA to AA+ with a negative outlook. The related sovereign short-term credit rating, A-1+, remained unchanged and was removed from the CreditWatch negative status. The State Treasury and the University of Colorado Treasury hold US Government Securities that are affected by the sovereign credit rating of the United States of America. The investment policies and guidelines of the State Treasury and University of Colorado Treasury required no actions as a result of this downgrade. No changes have been made to the investment disclosures as of June 30, 2011.

**Component Units**

Subsequent to Fiscal Year 2010-11, the University of Colorado Hospital Authority's board approved repayment of the Series 1997A bonds and issuing new bonds with a lower interest rate, but with similar terms. The board also approved refinancing the Series 1997A Bonds with a lower interest rate. The new bonds are expected to be issued in November 2011.

Subsequent to December 31, 2010, both the Colorado Funds I and II, L.P. made equity investments in eleven entities totaling \$5.3 million with approximately \$5.2 million of that amount representing the authority's share of the capital contribution.

On March 30, 2011, the Colorado Water Resources and Power Development Authority issued Drinking Water Revenue Bonds 2011 Series A for \$24,795,000. The bond issuance consists of serial bonds that mature annually through September 1, 2032. Interest on the bonds is payable semi-annually with rates ranging from 2.0 to 4.375 percent. The bonds maturing on or after September 1, 2022, are subject to optional redemption on or after September 1, 2021, at a redemption price equal to principal plus interest accrued to the redemption date.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGETARY BASIS  
BUDGET AND ACTUAL - GENERAL FUNDED  
FOR THE YEAR ENDED JUNE 30, 2011**

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
<b>REVENUES AND TRANSFERS-IN:</b>				
Sales and Other Excise Taxes			\$ 2,323,065	
Income Taxes			4,519,468	
Other Taxes			190,090	
Sales and Services			289	
Interest Earnings			8,993	
Other Revenues			21,556	
Transfers-In			201,072	
<b>TOTAL REVENUES AND TRANSFERS-IN</b>			<b>7,264,533</b>	
<b>EXPENDITURES AND TRANSFERS-OUT:</b>				
<b>Operating Budgets:</b>				
<b>Departmental:</b>				
Agriculture	\$ 4,957	\$ 4,925	4,798	\$ 127
Corrections	647,180	658,803	656,582	2,221
Education	3,176,664	2,963,614	2,963,105	509
Governor	11,291	11,930	10,912	1,018
Health Care Policy and Financing	1,290,651	1,265,225	1,271,497	(6,272)
Higher Education	660,271	705,315	705,065	250
Human Services	639,803	624,111	623,564	547
Judicial Branch	332,424	327,055	324,697	2,358
Law	9,615	9,510	9,400	110
Legislative Branch	34,797	34,797	31,746	3,051
Local Affairs	10,785	10,754	10,580	174
Military and Veterans Affairs	5,320	5,286	5,052	234
Natural Resources	26,419	26,201	25,983	218
Personnel & Administration	5,521	5,149	4,819	330
Public Health and Environment	27,541	27,460	27,385	75
Public Safety	82,654	82,315	80,403	1,912
Regulatory Agencies	1,510	1,510	1,503	7
Revenue	178,552	178,678	169,236	9,442
Treasury	6,161	5,974	5,715	259
Transfers Not Appropriated by Department	288,872	288,872	288,872	-
<b>SUB-TOTAL OPERATING BUDGETS</b>	<b>7,440,988</b>	<b>7,237,484</b>	<b>7,220,914</b>	<b>16,570</b>
<b>Capital and Multi-Year Budgets:</b>				
<b>Departmental:</b>				
Agriculture	-	952	488	464
Corrections	18,952	12,682	8,795	3,887
Education	-	272	148	124
Governor	876	876	12	864
Higher Education	8,709	26,467	13,425	13,042
Human Services	1,496	4,661	3,076	1,585
Military and Veterans Affairs	4,210	4,470	3,000	1,470
Personnel & Administration	3,018	7,374	3,417	3,957
Public Health and Environment	-	184	109	75
Public Safety	-	1,356	1,316	40
Revenue	7,064	14,378	8,036	6,342
Transportation	500	500	500	-
Treasury	4,067	-	-	-
Budgets/Transfers Not Recorded by Department	14,844	14,844	14,844	-
<b>SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS</b>	<b>63,736</b>	<b>89,016</b>	<b>57,166</b>	<b>31,850</b>
<b>TOTAL EXPENDITURES AND TRANSFERS-OUT</b>	<b>\$ 7,504,724</b>	<b>\$ 7,326,500</b>	<b>7,278,080</b>	<b>\$ 48,420</b>
<b>EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT</b>			<b>\$ (13,547)</b>	

The notes to the required supplementary information are an integral part of this schedule.

**SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES,  
AND CHANGES IN FUND BALANCES/NET ASSETS - BUDGETARY BASIS  
BUDGET AND ACTUAL - CASH FUNDED  
FOR THE YEAR ENDED JUNE 30, 2011**

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
<b>REVENUES AND TRANSFERS-IN:</b>				
Sales and Other Excise Taxes			\$ 738,774	
Income Taxes			370,499	
Other Taxes			1,176,965	
Tuition and Fees			2,150,904	
Sales and Services			1,939,533	
Interest Earnings			195,808	
Other Revenues			2,534,133	
Transfers-In			6,259,730	
<b>TOTAL REVENUES AND TRANSFERS-IN</b>			<b>15,366,346</b>	
<b>EXPENDITURES/EXPENSES AND TRANSFERS-OUT:</b>				
<b>Operating Budgets:</b>				
<b>Departmental:</b>				
Agriculture	\$ 31,274	\$ 31,253	27,122	\$ 4,131
Corrections	96,402	96,944	79,677	17,267
Education	3,581,239	3,591,303	3,534,486	56,817
Governor	225,077	239,266	182,396	56,870
Health Care Policy and Financing	1,231,959	1,420,994	1,434,718	(13,724)
Higher Education	3,186,432	3,254,667	3,001,446	253,221
Human Services	719,829	321,547	289,197	32,350
Judicial Branch	198,780	190,063	178,169	11,894
Labor and Employment	968,208	981,053	877,214	103,839
Law	41,889	51,280	40,860	10,420
Legislative Branch	8,167	8,167	3,202	4,965
Local Affairs	423,398	423,398	267,795	155,603
Military and Veterans Affairs	9,105	9,060	6,475	2,585
Natural Resources	730,940	715,379	392,035	323,344
Personnel & Administration	464,776	455,443	429,312	26,131
Public Health and Environment	195,272	227,123	191,228	35,895
Public Safety	149,693	149,378	132,639	16,739
Regulatory Agencies	78,365	77,499	71,607	5,892
Revenue	902,657	925,924	750,888	175,036
State	21,827	25,281	19,108	6,173
Transportation	2,249,707	2,249,793	769,050	1,480,743
Treasury	1,897,630	1,898,206	1,660,077	238,129
Budgets/Transfers Not Recorded by Department	-	3,337	937	2,400
<b>SUB-TOTAL OPERATING BUDGETS</b>	<b>17,412,226</b>	<b>17,346,358</b>	<b>14,339,638</b>	<b>3,006,720</b>
<b>Capital and Multi-Year Budgets:</b>				
<b>Departmental:</b>				
Agriculture	-	1	-	1
Corrections	9,923	18,411	13,746	4,665
Education	-	622	39	583
Governor	1,138	1,939	427	1,512
Higher Education	183,465	429,833	206,295	223,538
Human Services	1,510	5,778	1,870	3,908
Judicial Branch	221,299	221,299	91,668	129,631
Labor and Employment	33,332	36,742	33,002	3,740
Military and Veterans Affairs	-	6,130	4,044	2,086
Natural Resources	52,962	84,625	27,819	56,806
Personnel & Administration	3,821	4,654	865	3,789
Public Health and Environment	14,921	23,126	2,215	20,911
Public Safety	-	1,150	-	1,150
Revenue	-	5,279	-	4,003
Transportation	500	500	500	-
Treasury	8,380	8,878	8,860	18
Budgets/Transfers Not Recorded by Department	15,223	15,223	14,215	1,008
<b>SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS</b>	<b>546,474</b>	<b>864,190</b>	<b>406,841</b>	<b>457,349</b>
<b>TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT</b>	<b>\$ 17,958,700</b>	<b>\$ 18,210,548</b>	<b>14,746,479</b>	<b>\$ 3,464,069</b>
<b>EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT</b>			<b>\$ 619,867</b>	

The notes to the required supplementary information are an integral part of this schedule.

**SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES,  
AND CHANGES IN FUND BALANCES/NET ASSET - BUDGETARY BASIS  
BUDGET AND ACTUAL - FEDERALLY FUNDED  
FOR THE YEAR ENDED JUNE 30, 2011**

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
<b>REVENUES AND TRANSFERS-IN:</b>				
Federal Grants and Contracts			\$ 8,844,332	
<b>TOTAL REVENUES AND TRANSFERS-IN</b>			<b>8,844,332</b>	
<b>EXPENDITURES/EXPENSES AND TRANSFERS-OUT:</b>				
<b>Capital and Multi-Year Budgets:</b>				
<b>Departmental:</b>				
Agriculture	\$ 4,020	\$ 12,605	5,659	\$ 6,946
Corrections	2,003	5,135	3,486	1,649
Education	569,851	1,247,776	887,537	360,239
Governor	34,529	556,326	360,234	196,092
Health Care Policy and Financing	2,750,370	2,845,656	2,804,488	41,168
Higher Education	124,482	567,476	498,851	68,625
Human Services	756,401	1,808,534	1,537,204	271,330
Judicial Branch	9,451	19,358	10,304	9,054
Labor and Employment	138,956	1,690,238	1,464,384	225,854
Law	1,469	2,559	1,869	690
Local Affairs	96,977	149,317	85,571	63,746
Military and Veterans Affairs	222,410	41,629	28,385	13,244
Natural Resources	27,366	70,746	40,924	29,822
Personnel & Administration	-	4,648	463	4,185
Public Health and Environment	274,732	384,304	260,328	123,976
Public Safety	27,918	74,890	38,125	36,765
Regulatory Agencies	1,231	5,621	2,470	3,151
Revenue	815	5,406	2,342	3,064
State	-	2,048	1,050	998
Transportation	369,101	865,046	694,732	170,314
Treasury	-	164,307	164,307	-
<b>SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS</b>	<b>5,414,082</b>	<b>10,523,625</b>	<b>8,892,713</b>	<b>1,630,912</b>
<b>TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT</b>	<b>\$ 5,414,082</b>	<b>\$ 10,523,625</b>	<b>8,892,713</b>	<b>\$ 1,630,912</b>
<b>EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT</b>			<b>\$ (48,381)</b>	

The notes to the required supplementary information are an integral part of this schedule.



**RECONCILING SCHEDULE  
ALL BUDGET FUND TYPES  
TO ALL GAAP FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2011**

(DOLLARS IN THOUSANDS)

	GOVERNMENTAL FUND TYPES					OTHER GOVERNMENTAL FUNDS
	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS' TAX	CAPITAL PROJECTS	STATE EDUCATION	
<b>BUDGETARY BASIS:</b>						
Revenues and Transfers-In:						
General	\$ 7,243,906	\$ -	\$ -	\$ 20,627	\$ -	\$ -
Cash	4,838,429	313,760	1,696,660	194,997	598,177	2,245,161
Federal	5,951,388	159,631	682,441	40,956	-	201,025
Sub-Total Revenues and Transfers-In	<u>18,023,723</u>	<u>473,391</u>	<u>2,379,101</u>	<u>256,580</u>	<u>598,177</u>	<u>2,446,186</u>
Expenditures/Expenses and Transfers-Out						
General Funded	7,232,899	-	-	45,181	-	-
Cash Funded	4,574,303	376,857	1,826,459	336,382	423,490	2,101,545
Federally Funded	5,951,042	159,631	682,408	40,963	-	204,142
Expenditures/Expenses and Transfers-Out	<u>17,758,244</u>	<u>536,488</u>	<u>2,508,867</u>	<u>422,526</u>	<u>423,490</u>	<u>2,305,687</u>
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis	275,479	(63,097)	(129,766)	(165,946)	174,687	140,499
<b>BUDGETARY BASIS ADJUSTMENTS:</b>						
Increase/(Decrease) for Unrealized Gains/Losses	(5,940)	(3,335)	(6,963)	(2,738)	(3,472)	(11,832)
Increase for Budgeted Non-GAAP Expenditures	-	25,858	-	-	-	343
Increase/(Decrease) for GAAP Expenditures Not Budgeted	209,490	(37)	97,213	155,102	-	(69,880)
Increase/(Decrease) for GAAP Revenue Adjustments	(193,618)	(1,198)	-	(152,152)	-	(99,153)
Increase/(Decrease) for Non-Budgeted Funds	-	-	-	-	-	-
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis	<u>285,411</u>	<u>(41,809)</u>	<u>(39,516)</u>	<u>(165,734)</u>	<u>171,215</u>	<u>(40,023)</u>
<b>GAAP BASIS FUND BALANCES/NET ASSETS:</b>						
FUND BALANCE/NET ASSETS, FISCAL YEAR BEGINNING	15,784	519,520	1,242,529	385,059	194,586	1,728,058
Prior Period Adjustments (See Note 29)	7,953	-	-	7	-	(11,736)
Accounting Changes (See Note 29)	293,699	390,789	-	-	-	(93,820)
FUND BALANCE/NET ASSETS, FISCAL YEAR END	<u>\$ 602,847</u>	<u>\$ 868,500</u>	<u>\$ 1,203,013</u>	<u>\$ 219,332</u>	<u>\$ 365,801</u>	<u>\$ 1,582,479</u>

The notes to the required supplementary information are an integral part of this schedule.

GENERAL FUND SURPLUS SCHEDULE

With the implementation of GASB Statement No. 54 the General Fund for GAAP purposes is not equivalent to the General Fund for budgetary purposes. The General Fund for GAAP purposes contains activities that are considered cash funds for budget purposes, and includes, State Public School, Risk Management Fund, and Other Special Purpose Funds that do not have a sufficient original-source revenue stream to qualify as special revenue funds. The General Purpose Revenue Fund balance represents \$32.4 million of the GAAP General Fund balance of \$602.8 million on the *Balance Sheet – Governmental Funds*.

The General Purpose Revenue Fund is the principal operating fund of the State. It is used to account for all governmental financial resources and transactions not legally required to be accounted for in another fund. The General Fund Surplus is a statutorily defined amount that varies from the fund balance reported in the General Purpose Revenue Fund by revenues and expenditures that have been deferred into the following year for the budgetary basis (see Note RSI-1A).

The schedule on the following page is presented to document compliance with the constitutional requirement for a positive General Fund Surplus on the budgetary basis. The schedule differs from the General Fund presentation in the *Statement of Revenues, Expenditures, and Changes in Fund Balances* and the *Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis – Budget-to-Actual – General Funded* by the specific purpose revenue funds discussed above and in several other ways as discussed below.

The total fund balance in the General Purpose Revenue Fund column on the *Combining Balance Sheet – General Funds* represents cumulative general-purpose and augmenting revenues in excess of expenditures. The total fund balance comprises several sub-classifications indicating the relative enforceability of constraints on those resources in accordance with GAAP definitions. The sub-classifications include Nonspendable, Restricted, Committed, Assigned and Unassigned Fund Balances and do not represent availability for purposes of computing General Fund Surplus. As a result, the ending General Fund Surplus is reconciled to the General Purpose Revenue Fund fund balance on the combining *Balance Sheet – General Fund Components*, rather than the Unassigned fund balance

on the *Balance Sheet – General Funds* in the Basic Financial Statements.

General-purpose revenues are revenues that are not designated for specific purposes. The following schedule shows the current fiscal year general-purpose revenues and the expenditures, by department, funded from those general-purpose revenues. The excess augmenting revenues shown represent earned revenues that were greater than the related appropriation for specific cash-funded expenditures in the General Purpose Revenue Fund. These revenues in excess of the related expenditures become part of total fund balance. (See Note 8A beginning on page 84 for information regarding the negative reversion at the Department of Health Care Policy & Financing.)

In order to measure the General Fund Surplus, encumbrances of the prior year related to approved rollforwards are subtracted from the revised budget and the actual expenditure columns because they were considered expended in the prior year. In addition, encumbrances at the end of the current year related to approved rollforwards are considered expenditures and are added to the actual expenditures column.

In order to properly state the amounts reverted, restrictions on the revised budget are not reflected in the amounts shown. Unspent unrestricted appropriations are reported as reversions on the schedule.

Due to declining general-purpose revenues throughout the Fiscal Year 2009-10, in June 2010, the Director of the Office of State Planning and Budgeting and the State Controller, under the authority of Colorado Revised Statutes 25.5-4-401(1)(c), authorized the Department of Health Care Policy and Financing to interrupt the normal Medicaid provider payment schedule. As a result, approximately \$28.1 million of payments that otherwise would have occurred in the last two weeks of June were delayed until July 1, 2010. Consequently, these payments are included as departmental expenditures for purpose of budget compliance on the General Fund Surplus Schedule in Fiscal Year 2010-11. This treatment is similar to the recognition for budget purposes of the other amounts shown as deferred into Fiscal Year 2010-11 on the Fiscal Year 2009-10 General Fund Surplus Schedule.

PROPRIETARY FUND TYPES							FIDUCIARY FUND TYPES	TOTAL PRIMARY GOVERNMENT
HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE	STATE LOTTERY	OTHER ENTERPRISE FUNDS	INTERNAL SERVICE				
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,264,533	
2,320,566	796,182	527,880	435,131	209,973	1,189,430	-	15,366,346	
17,670	1,345,621	-	444,943	657	-	-	8,844,332	
2,338,236	2,141,803	527,880	880,074	210,630	1,189,430	-	31,475,211	
-	-	-	-	-	-	-	7,278,080	
2,286,002	770,622	527,952	333,298	214,998	974,571	-	14,746,479	
39,202	1,345,642	-	469,026	657	-	-	8,892,713	
2,325,204	2,116,264	527,952	802,324	215,655	974,571	-	30,917,272	
13,032	25,539	(72)	77,750	(5,025)	214,859	-	557,939	
(69)	-	(246)	240	147	562,309	-	528,101	
-	-	860	24,417	869	-	-	52,347	
73,994	(27,689)	(651)	(8,847)	(9,449)	(13)	-	419,233	
-	-	-	(693)	1,288	-	-	(445,326)	
387,488	-	-	-	-	-	-	387,488	
474,445	(2,150)	(109)	92,867	(12,170)	777,155	-	1,499,582	
4,294,966	(115,758)	6,478	560,794	22,012	3,431,779	-	12,285,807	
(46,163)	-	-	(687)	-	-	-	(50,626)	
-	-	-	-	91	-	-	590,759	
\$ 4,723,248	\$ (117,908)	\$ 6,369	\$ 652,974	\$ 9,933	\$ 4,208,934	\$ -	\$ 14,325,522	

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN GENERAL FUND SURPLUS BUDGET AND ACTUAL - BUDGETARY BASIS FOR THE YEAR ENDED JUNE 30, 2011**

(DOLLARS IN THOUSANDS)	ORIGINAL ESTIMATE/ BUDGET	REVISED ESTIMATE/ BUDGET	ACTUAL	REVERSIONS OF GENERAL FUND APPROPRIATION	EXCESS AUGMENTING REVENUE EARNED
<b>REVENUES:</b>					
Sales and Use Tax	\$ 2,217,600	\$ 2,192,400	\$ 2,233,521		
Other Excise Taxes	91,500	89,800	89,544		
Individual Income Tax, net	4,103,700	4,270,800	4,153,910		
Corporate Income Tax, net	405,800	347,200	365,558		
Estate Tax	-	-	(50)		
Insurance Tax	192,200	191,600	189,648		
Parimutuel, Courts, and Other	31,600	21,300	25,380		
Investment Income	16,800	6,600	7,907		
Gaming	33,500	20,400	20,400		
<b>TOTAL GENERAL PURPOSE REVENUES</b>	<b>7,092,700</b>	<b>7,140,100</b>	<b>7,085,818</b>		
<b>ACTUAL BUDGET RECORDED AND EXPENDITURES:</b>					
Agriculture	4,956	4,924	4,798	\$ 126	\$ 122
Corrections	653,358	658,794	656,452	2,342	1
Education	3,540,055	2,963,614	2,963,107	507	1,191
Governor	11,291	11,930	11,528	402	6
Health Care Policy and Financing	1,343,025	1,265,814	1,271,909	(6,095)	122
Higher Education	660,271	705,108	705,085	23	99
Human Services	637,144	624,138	620,208	3,930	2,612
Judicial Branch	329,936	327,054	324,697	2,357	329
Labor and Employment	-	-	-	-	43
Law	9,546	9,510	9,400	110	410
Legislative Branch	35,185	34,796	34,764	3,032	99
Local Affairs	10,704	10,754	10,579	175	212
Military and Veterans Affairs	5,320	5,286	5,051	235	-
Natural Resources	26,419	26,201	25,983	218	422
Personnel & Administration	5,619	5,149	4,819	330	288
Public Health and Environment	27,541	27,461	27,385	76	63
Public Safety	80,878	82,315	80,403	1,912	78
Regulatory Agencies	1,510	1,510	1,502	8	-
Revenue	190,008	170,661	161,218	9,443	594
State	-	-	-	-	50
Treasury	2,550	5,974	5,715	259	-
<b>TOTAL ACTUAL BUDGET AND EXPENDITURES</b>	<b>7,575,316</b>	<b>6,940,993</b>	<b>6,921,603</b>	<b>\$ 19,390</b>	<b>\$ 6,741</b>
Variance Between Actual and Estimated Budgets	(459,316)	(5,893)	-		
<b>TOTAL ESTIMATED BUDGET</b>	<b>7,116,000</b>	<b>6,935,100</b>	<b>6,921,603</b>		
<b>EXCESS GENERAL REVENUES OVER (UNDER)</b>					
GENERAL FUNDED EXPENDITURES	(23,300)	205,000	164,215		
<b>EXCESS AUGMENTING REVENUES</b>					6,741
<b>TRANSFERS (Not Appropriated By Department):</b>					
Transfers-In From Various Cash Funds	44,900	159,300	158,087		
Transfer-Out For the Older Coloradans Act	(8,000)	(8,000)	(8,000)		
Transfer-Out to Capital Projects - General Fund	(8,600)	(12,000)	(11,985)		
Transfer to State Education Fund Per C.R.S. 24-75-201.1	-	(257,500)	(221,372)		
Transfer to Public School Fund Per C.R.S. 24-75-201.1	-	(67,500)	(67,500)		
<b>TOTAL TRANSFERS</b>	<b>28,300</b>	<b>(185,700)</b>	<b>(150,770)</b>		
<b>EXCESS REVENUES AND TRANSFERS OVER(UNDER) BUDGET BASIS EXPENDITURES</b>	<b>5,000</b>	<b>19,300</b>	<b>20,186</b>		
<b>BEGINNING GENERAL FUND SURPLUS</b>	<b>(74,500)</b>	<b>4,800</b>	<b>4,793</b>		
Release of Prior Year Statutory Reserve (2%)	132,600	132,600	132,628		
Establish Current Year Statutory Reserve (4.0% reduced to 2.3%)	(277,600)	(156,700)	(156,648)		
GAAP Revenues/(Expenditures) Not Budgeted			12,878		
Contractually Restricted Energy Performance Leases			(10,281)		
Prior Period Adjustment (see Note 29)			(3,556)		
<b>ENDING GENERAL FUND SURPLUS</b>	<b>\$ (214,500)</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>ADJUSTMENTS TO BUDGETED REVENUE AND EXPENDITURES FOR GAAP FUND BALANCE:</b>					
GAAP Medicaid Expenditures Deferred to Fiscal Year 2011-12 for Budget			(166,667)		
GAAP Payroll Expenditures Deferred to Fiscal Year 2011-12 for Budget			(86,363)		
GAAP Information Technology Expenditures Deferred to Fiscal Year 2011-12 for Budget			(1,288)		
GAAP Revenues Related to Deferred Medicaid Payroll and Medicaid Program Expenditures			101,264		
<b>GAAP FUND BALANCE NOT AVAILABLE FOR GENERAL FUND SURPLUS:</b>					
Fair Value of Investments in Excess of Cost			11,860		
Restricted			10,282		
Committed			6,590		
Assigned			109		
Shortfall in GAAP Basis Statutory Reserve			156,648		
<b>ENDING GAAP GENERAL PURPOSE REVENUE FUND BALANCE</b>			<b>\$ 32,435</b>		

The notes to the required supplementary information are an integral part of this schedule.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

**NOTE RSI-1 – BUDGETARY INFORMATION**

**A. BUDGETARY BASIS**

The three budget-to-actual schedules show revenues and expenditures that are legislatively appropriated or otherwise legally authorized (see pages 157 to 160). These schedules are presented in the budgetary fund structure discussed below. Higher Education Institution funds, with the exception of the amounts included in the Long Appropriations Act as limitations on the earning of certain cash revenues, are excluded from these schedules.

The budgetary fund types used by the State differ from the generally accepted accounting fund types. The budgetary fund types are general, cash, and federal funds. For budgetary purposes, cash funds are all financial resources received by the State that have been designated to support specific expenditures. Federal funds are revenues received from the federal government. All other financial resources received are general-purpose revenues, and are not designated for specific expenditures until appropriated by the General Assembly.

Eliminations of transfers and intrafund transactions are not made in the budgetary funds if those transactions are under budgetary control. Thus, revenues and expenditures in these funds are shown at their gross amounts. This results in significant duplicate recording of revenues and expenditures. An expenditure of one budgetary fund may be shown as a transfer-in or revenue in another budgetary fund and then be shown again as an expenditure in the second fund.

For budget purposes, depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting with the following exceptions:

- Payments to employees for time worked in June of each fiscal year are made on the first working day of the following month; for general-funded appropriations those payments are reported as expenditures in the following fiscal year.
- Certain payments by state agencies to the Office of Information Technology for information technology services purchased in June using general-funded appropriations are reported as expenditures in the following fiscal year.

- Medicaid services claims are reported as expenditures only when the Department of Health Care Policy and Financing requests payment by the State Controller for medical services premiums under the Colorado Medical Services Act or for medical service provided by the Department of Human Services under the Colorado Medical Services Act. Similar treatment is afforded to nonadministrative expenditures that qualify for federal participation under Title XIX of the federal Social Security Act except for medically indigent program expenditures. In most years, this results in the Department of Health Care Policy and Financing excluding expenditures accrued for services provided but not yet billed. However, in the prior year, as allowed in Colorado Revised Statutes 25.5-4-401(1)(c), the Director of the Office of State Planning and Budgeting and the State Controller authorized the Department to interrupt the normal provider payment schedule for the last two weeks of June. For purposes of the budget, delaying the payments until July 1, 2010 resulted in those expenditures being recognized for budget purposes in Fiscal Year 2010-11. The Department estimated the expenditures at \$28.1 million.

- Expenditures of the fiscal year in the following three categories that have not been paid at June 30 are reported in the following year: Old Age Pension Health and Medical Care program costs; state contributions required by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003; and financial administration costs of any non-administrative expenditure under the Children's Basic Health Plan.

- Unrealized gains and losses on investments are not recognized as changes in revenue on the budgetary basis.

**B. BUDGETARY PROCESS**

The financial operations of the legislative, judicial, and executive branches of State government, with the exception of custodial funds and federal moneys not requiring matching State funds, are controlled by annual appropriations made by the General Assembly. The Department of Transportation's portion of the Highway Fund is appropriated to the State Transportation Commission. Within the legislative appropriation, the Commission may appropriate the specific projects and other operations of the department. In addition, the Commission may appropriate available fund balance from its portion of the Highway Fund.

The total legislative appropriation is constitutionally limited to the unrestricted funds held at the beginning of the year plus revenues estimated to be received during the year as determined by the budgetary basis of accounting. The original appropriation by the General Assembly in the Long Appropriations Act segregates the budget of the State into its operating and capital components. The majority of the capital budgets are accounted for in the Capital Projects Fund, with the primary exception being budgeted capital funds used for infrastructure.

The Governor has line item veto authority over the Long Appropriations Act, but the General Assembly may override each individual line item veto by a two-thirds majority vote in each house.

Most general and cash funded appropriations, with the exception of capital projects, lapse at year-end unless specifically required by the General Assembly or executive action is taken to rollforward all or part of the remaining unspent budget authority. Appropriations that meet the strict criteria for rollforward are reported in Note 41. Since capital projects appropriations are generally available for three years after appropriation, significant amounts of the capital budgets remain unexpended at fiscal year-end. Cash funded highway construction, maintenance and operations in the Department of Transportation are appropriated as operating budgets, but remains available in future years through action of the Transportation Commission. In Fiscal Year 2010-11, the Department of Transportation capitalized a project expenditures of \$327.1 million from all funding sources.

The appropriation controls the combined expenditures and encumbrances of the State, in the majority of the cases, to the level of line item within the State agency. Line items are individual lines in the official budget document and vary from specific payments for specific programs to single appropriations at the agency level. Statutes allow the Judicial and Executive Branches, at year-end, to transfer legislative appropriations within departments for expenditures. The appropriation may be retroactively adjusted in the following session of the General Assembly by a supplemental appropriation.

On the three budget-to-actual schedules, the column titled Original Appropriation consists of the Long Appropriations Act including anticipated federal funds, special bills, and estimates of statutorily authorized appropriations. The column titled Final Spending Authority includes the original appropriation, federal funds actually awarded if no General Fund matching funds are required, supplemental appropriations of the Legislature, statutorily authorized appropriations, and other miscellaneous budgetary items.

**C. OVEREXPENDITURES**

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. The modified and full accrual basis of accounting is converted to the budgetary basis of accounting as explained in Note RSI-1A. In the General Purpose Revenue Fund and Capital Projects Fund, if earned cash revenues plus available fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general-funded expenditures. If general-funded expenditures exceed the general-funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Individual overexpenditures are listed in Note 8A.

A separately issued report comparing line item expenditures to authorized budget is available upon request from the Office of the State Controller.

**D. BUDGET TO GAAP RECONCILIATION**

The *Reconciling Schedule – All Budget Fund Types to All GAAP Fund Types* (see page 162) shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (see pages 157 to 160) relate to the change in fund balances/net assets for the funds presented in the fund-level statements (see pages 48 to 65).

Certain expenditures on a generally accepted accounting principle (GAAP) basis, such as bad debt expense and depreciation, are not budgeted by the General Assembly. In addition, certain General Purpose Revenue Fund payroll disbursements for employee time worked in June, June general-funded purchases of service from the Office of Information Technology, Medicaid and certain other assistance program payments (see Section A above) accrued but not paid by June 30, are excluded from the budget and from budget basis expenditures. These expenditures are not shown on the budget-to-actual schedules but are included in the budget-to-actual reconciliation schedule as "GAAP Expenditures Not Budgeted". Some transactions considered expenditures for budgetary purposes, such as loan disbursements and capital purchases in proprietary fund types, are not expenditures on a GAAP basis. These expenditures are shown as "Budgeted Non-GAAP Expenditures."

Some transactions considered revenues for budgetary purposes, such as intrafund sales, are not considered GAAP revenues. Some events, such as the recognition of unrealized gains/losses on investments, affect revenues on a GAAP basis but not on the budgetary basis. Federal Medicaid revenues related to deferred Medicaid expenditures result in revenues on the GAAP statements but not on the budgetary statements. These events and transactions are shown in the reconciliation as "Unrealized Gains/Losses" and/or "GAAP Revenue Adjustments".

The inclusion of these revenues and expenditures and the change in nonbudgeted funds along with the balances

from the budget-to-actual statements is necessary to reconcile to the GAAP fund balance.

**E. OUTSTANDING ENCUMBRANCES**

The State uses encumbrance accounting as an extension of formal budget implementation in most funds except certain fiduciary funds, and certain Higher Education Institutions Funds. Under this procedure, purchase orders and contracts for expenditures of money are recorded to reserve an equivalent amount of the related appropriation. Encumbrances do not constitute expenditures or liabilities. They lapse at year-end unless specifically brought forward to the subsequent year.

**NOTE RSI-2 – SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS**

As required by GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the following is the State's Schedule of Funding Progress for its other post-employment benefit plans.

Under the standard, the State must disclose the funding progress of the other postemployment benefit plans for the most recent and two preceding actuarial valuations.

In Fiscal Year 2010-11 the University of Colorado had several factors impacting its funding progress. Deductibles of \$250/\$750 were implemented for some individual/family coverage, certain lifetime maximums were extended to unlimited, and some preventative service copays were eliminated. Termination and participation rates were updated, and the discount rate was reduced to 4.5 percent. In addition the Fiscal Year 2010-11 increase in the Unfunded Actuarial Accrued Liability reflects a \$46.2 million correction of the prior years' actuarial valuation.

See Note 19 on page 109 for additional information regarding the plans listed in the schedule.

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll <sup>1</sup> (c)	UAAL as a Percentage of Covered Payroll <sup>1</sup> ((b-a)/c)
<b>University of Colorado:</b>							
2010-11	7/1/2010	-	\$ 343,144,000	\$ 343,144,000	0.0%	\$ 1,023,525,000	33.5%
2009-10	7/1/2008	-	\$ 196,714,735	\$ 196,714,735	0.0%	\$ 944,167,317	20.8%
2008-09	7/1/2008	-	\$ 196,714,735	\$ 196,714,735	0.0%	\$ 898,898,961	21.9%
2007-08	7/1/2007	-	\$ 195,972,332	\$ 195,972,332	0.0%	\$ 831,242,265	23.6%
<b>Colorado State University:</b>							
<b>RMPR</b>							
2010-11	1/1/2011	-	\$ 28,917,402	\$ 28,917,402	0.0%	\$ 248,227,800	11.6%
<i>Restated</i> 2009-10	1/1/2009	-	\$ 25,187,719	\$ 25,187,719	0.0%	\$ 235,974,968	10.7%
2008-09	1/1/2009	-	\$ 25,187,719	\$ 25,187,719	0.0%	\$ 238,826,606	10.5%
2007-08	1/1/2007	-	\$ 22,079,791	\$ 22,079,791	0.0%	\$ 199,793,625	11.1%
<b>RMPS</b>							
2010-11	1/1/2011	-	\$ 53,177,425	\$ 53,177,425	0.0%	N/A	N/A
2009-10	1/1/2009	-	\$ 55,863,780	\$ 55,863,780	0.0%	N/A	N/A
2008-09	1/1/2009	-	\$ 54,271,314	\$ 54,271,314	0.0%	N/A	N/A
2007-08	1/1/2008	-	\$ 54,012,423	\$ 54,012,423	0.0%	N/A	N/A
<b>URX</b>							
2010-11	1/1/2011	-	\$ 2,832,107	\$ 2,832,107	0.0%	N/A	N/A
<i>Restated</i> 2009-10	1/1/2011	-	\$ 2,822,691	\$ 2,822,691	0.0%	N/A	N/A
2008-09	1/1/2009	-	\$ 2,899,120	\$ 2,899,120	0.0%	N/A	N/A
2007-08	1/1/2008	-	\$ 4,267,306	\$ 4,267,306	0.0%	N/A	N/A
<b>LTD</b>							
2010-11	1/1/2011	-	\$ 13,017,464	\$ 13,017,464	0.0%	N/A	N/A
<i>Restated</i> 2009-10	1/1/2011	-	\$ 12,300,594	\$ 12,300,594	0.0%	N/A	N/A
2008-09	1/1/2009	-	\$ 12,218,851	\$ 12,218,851	0.0%	N/A	N/A
2007-08	1/1/2008	-	\$ 10,209,899	\$ 10,209,899	0.0%	N/A	N/A

<sup>1</sup> –The CSU-RMPS, CSU-URX, and CSU-LTD plans' benefits are not based on salaries or covered payroll.



**SUPPLEMENTARY INFORMATION**

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**GENERAL FUND COMPONENTS**

**GENERAL PURPOSE REVENUE**

This fund is the general operating fund for State operations and is used unless another fund has been established for a particular activity. The fund consists of general purpose revenues from various tax collections the largest being income and sales taxes.

**SPECIAL PURPOSE REVENUE**

The State Public School fund is a statutory fund that distributes substantially all of its revenue to school districts each year, most of the funds' resources are transfers into the fund from the General Purpose Revenue Fund.

The Risk Management fund accounts for the State's liability, property, and worker's compensation insurance activities; its revenues are primarily from charges to State agencies.

The Other Special Purpose Fund comprises all other funds without sufficient original source revenues to qualify as Special Revenue Funds. Included in this category is the Building Excellent Schools Tomorrow (BEST) program that provides grants and funds for public school construction, Lottery proceeds held by the Division of Parks for parks and outdoor recreation projects, the Charter School Institute, as well as over thirty smaller funds.

**COMBINING BALANCE SHEET  
GENERAL FUND COMPONENTS  
JUNE 30, 2011**

(DOLLARS IN THOUSANDS)	SPECIAL PURPOSE FUNDS				TOTAL
	GENERAL PURPOSE REVENUE	STATE PUBLIC SCHOOL	RISK MANAGEMENT	OTHER SPECIAL PURPOSE	
<b>ASSETS:</b>					
Cash and Pooled Cash	\$ 173,588	\$ 1,562	\$ 16,849	\$ 20,361	\$ 212,360
Taxes Receivable, net	1,065,527	-	-	-	1,065,527
Other Receivables, net	44,312	-	49	351	44,712
Due From Other Governments	463,517	4,645	-	9	468,171
Due From Other Funds	39,924	68,244	-	16,838	125,006
Due From Component Units	62	-	-	-	62
Inventories	4,318	-	-	4,424	8,742
Prepays, Advances, and Deferred Charges	32,604	-	270	134	33,008
Restricted Assets:					
Restricted Cash and Pooled Cash	-	49,943	-	137,182	187,125
Restricted Investments	-	-	-	284,059	284,059
Restricted Receivables	-	-	-	184	184
Investments	6,578	-	-	-	6,578
<b>TOTAL ASSETS</b>	<b>\$ 1,830,430</b>	<b>\$ 124,394</b>	<b>\$ 17,168</b>	<b>\$ 463,542</b>	<b>\$ 2,435,534</b>
<b>LIABILITIES:</b>					
Tax Refunds Payable	\$ 615,164	\$ -	\$ -	\$ -	\$ 615,164
Accounts Payable and Accrued Liabilities	519,499	19	3,746	10,002	533,266
TABOR Refund Liability (Note 8B)	706	-	-	-	706
Due To Other Governments	56,451	-	-	15,893	72,344
Due To Other Funds	316,277	-	158	1,404	317,839
Deferred Revenue	281,924	3,463	-	5	285,392
Compensated Absences Payable	47	-	-	-	47
Claims and Judgments Payable	314	-	-	-	314
Other Current Liabilities	7,604	-	-	2	7,606
Deposits Held In Custody For Others	9	-	-	-	9
<b>TOTAL LIABILITIES</b>	<b>1,797,995</b>	<b>3,482</b>	<b>3,904</b>	<b>27,306</b>	<b>1,832,687</b>
<b>TOTAL NET ASSETS</b>	<b>\$ 32,435</b>	<b>\$ 120,912</b>	<b>\$ 13,264</b>	<b>\$ 436,236</b>	<b>\$ 602,847</b>
<b>FUND BALANCES:</b>					
Nonspendable:					
Inventories	4,318	-	-	4,424	8,742
Prepays	32,604	1	270	134	33,009
Restricted	10,282	119,370	-	413,345	542,997
Committed	6,590	1,541	12,994	18,333	39,458
Assigned	109	-	-	-	109
Unassigned	(21,468)	-	-	-	(21,468)
<b>TOTAL FUND BALANCES</b>	<b>32,435</b>	<b>120,912</b>	<b>13,264</b>	<b>436,236</b>	<b>602,847</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,830,430</b>	<b>\$ 124,394</b>	<b>\$ 17,168</b>	<b>\$ 463,542</b>	<b>\$ 2,435,534</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GENERAL FUND COMPONENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

(DOLLARS IN THOUSANDS)	SPECIAL PURPOSE FUNDS				TOTAL
	GENERAL PURPOSE REVENUE	STATE PUBLIC SCHOOLS	RISK MANAGEMENT	OTHER SPECIAL PURPOSE	
<b>REVENUES:</b>					
Taxes:					
Individual and Fiduciary Income	\$ 4,153,913	\$ -	\$ -	\$ -	\$ 4,153,913
Corporate Income	365,558	-	-	-	365,558
Sales and Use	2,233,521	-	-	-	2,233,521
Excise	89,544	-	-	-	89,544
Other Taxes	190,140	-	-	-	190,140
Licenses, Permits, and Fines	20,339	-	-	1,448	21,787
Charges for Goods and Services	30,911	-	41,929	-	72,840
Rents	393	-	-	16	409
Investment Income (Loss)	6,500	16	373	6,763	13,652
Federal Grants and Contracts	5,833,725	-	-	4,803	5,838,528
Other	115,358	7,164	690	4,053	127,265
<b>TOTAL REVENUES</b>	<b>13,039,902</b>	<b>7,180</b>	<b>42,992</b>	<b>17,083</b>	<b>13,107,157</b>
<b>EXPENDITURES:</b>					
Current:					
General Government	433,627	-	51,722	4,032	489,381
Business, Community, and Consumer Affairs	211,876	-	-	2,856	214,732
Education	717,552	138	-	2,746	720,436
Health and Rehabilitation	491,707	-	-	770	492,477
Justice	1,187,343	-	-	-	1,187,343
Natural Resources	57,976	-	-	3,852	61,828
Social Assistance	5,456,068	-	-	66	5,456,134
Capital Outlay	30,748	-	-	80,781	111,529
Intergovernmental:					
Cities	31,253	-	-	31,319	62,572
Counties	1,159,964	-	-	10,542	1,170,506
School Districts	951,349	2,881,165	-	64,070	3,906,584
Special Districts	32,506	-	-	13,423	45,929
Federal	337	-	-	-	337
Other	35,679	-	-	333	36,012
Debt Service	4,021	-	-	5,904	9,925
<b>TOTAL EXPENDITURES</b>	<b>10,812,006</b>	<b>2,881,303</b>	<b>51,722</b>	<b>220,694</b>	<b>13,965,725</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,227,896</b>	<b>(2,874,123)</b>	<b>(8,730)</b>	<b>(203,611)</b>	<b>(858,568)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers-In	1,064,569	3,010,486	-	178,269	4,253,424
Transfers-Out	(3,275,690)	(48,126)	(1,166)	(16,881)	(3,341,863)
Face Amount of Bond/COP Issuance	-	-	-	217,530	217,530
Bond/COP Premium/Discount	-	-	-	25	25
Capital Lease Proceeds	13,698	-	-	-	13,698
Insurance Recoveries	1,165	-	-	-	1,165
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,196,258)</b>	<b>2,962,360</b>	<b>(1,166)</b>	<b>379,043</b>	<b>1,143,979</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>31,638</b>	<b>88,237</b>	<b>(9,896)</b>	<b>175,432</b>	<b>285,411</b>
<b>FUND BALANCE, FISCAL YEAR BEGINNING</b>	<b>15,784</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,784</b>
Prior Period Adjustment (See Note 29)	8,602	-	(429)	(220)	7,953
Accounting Changes (See Note 29)	(23,589)	32,675	23,589	261,024	293,699
<b>FUND BALANCE, FISCAL YEAR END</b>	<b>\$ 32,435</b>	<b>\$ 120,912</b>	<b>\$ 13,264</b>	<b>\$ 436,236</b>	<b>\$ 602,847</b>



**CAPITAL PROJECTS FUND COMPONENTS**

REGULAR CAPITAL PROJECTS

This fund accounts for projects transferred from the General Fund that are either fully or partially funded with general-purpose revenue, and may also include cash-funded projects.

SPECIAL CAPITAL PROJECTS

This fund accounts for certain projects that are not funded with general-purpose revenue. This includes projects funded with the proceeds of certificates of participation such as the Colorado History Center and the Ralph L. Carr Justice Complex, federal projects in the Department of Military Affairs, Lottery-funded projects in the Department of Natural Resources, and several smaller projects.

**COMBINING BALANCE SHEET  
CAPITAL PROJECTS FUND COMPONENTS  
JUNE 30, 2011**

(DOLLARS IN THOUSANDS)	REGULAR CAPITAL PROJECTS	SPECIAL CAPITAL PROJECTS	TOTAL
<b>ASSETS:</b>			
Cash and Pooled Cash	\$ 33,518	\$ 17,634	\$ 51,152
Other Receivables, net	131	1	132
Due From Other Governments	3,873	218	4,091
Due From Other Funds	13,711	-	13,711
Prepays, Advances, and Deferred Charges	10	78	88
Restricted Cash and Pooled Cash	2,042	8,180	10,222
Restricted Investments	-	173,053	173,053
Restricted Receivables	-	2,029	2,029
Investments	-	9,214	9,214
Other Long-Term Assets	102	-	102
<b>TOTAL ASSETS</b>	<b>\$ 53,387</b>	<b>\$ 210,407</b>	<b>\$ 263,794</b>
<b>LIABILITIES:</b>			
Accounts Payable and Accrued Liabilities	\$ 24,851	\$ 17,079	\$ 41,930
Due To Other Funds	573	-	573
Deferred Revenue	-	1,959	1,959
<b>TOTAL LIABILITIES</b>	<b>25,424</b>	<b>19,038</b>	<b>44,462</b>
<b>FUND BALANCES:</b>			
Nonspendable:			
Prepays	10	78	88
Restricted	2,042	183,321	185,363
Committed	25,911	7,970	33,881
<b>TOTAL FUND BALANCES</b>	<b>27,963</b>	<b>191,369</b>	<b>219,332</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 53,387</b>	<b>\$ 210,407</b>	<b>\$ 263,794</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
CAPITAL PROJECT FUND COMPONENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

(DOLLARS IN THOUSANDS)	REGULAR CAPITAL PROJECTS	SPECIAL CAPITAL PROJECTS	TOTAL
<b>REVENUES:</b>			
Licenses, Permits, and Fines	10	-	10
Investment Income (Loss)	(1,573)	4,742	3,169
Federal Grants and Contracts	24,614	9,237	33,851
Other	208	2,028	2,236
<b>TOTAL REVENUES</b>	<b>23,259</b>	<b>16,007</b>	<b>39,266</b>
<b>EXPENDITURES:</b>			
Current:			
General Government	10,311	1,852	12,163
Business, Community, and Consumer Affairs	1	-	1
Education	6,590	1,174	7,764
Health and Rehabilitation	650	-	650
Justice	4,838	3,257	8,095
Natural Resources	701	1,764	2,465
Social Assistance	461	-	461
Capital Outlay	50,909	132,603	183,512
Intergovernmental:			
Cities	6	179	185
Counties	10	136	146
Other	1,532	479	2,011
<b>TOTAL EXPENDITURES</b>	<b>76,009</b>	<b>141,444</b>	<b>217,453</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(52,750)	(125,437)	(178,187)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers-In	40,204	18,868	59,072
Transfers-Out	(21,511)	(28,447)	(49,958)
Capital Lease Proceeds	-	2,950	2,950
Insurance Recoveries	389	-	389
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>19,082</b>	<b>(6,629)</b>	<b>12,453</b>
NET CHANGE IN FUND BALANCES	(33,668)	(132,066)	(165,734)
FUND BALANCE, FISCAL YEAR BEGINNING	385,059	-	385,059
Prior Period Adjustment (See Note 29)	-	7	7
Accounting Changes (See Note 29)	(323,428)	323,428	-
<b>FUND BALANCE, FISCAL YEAR END</b>	<b>\$ 27,963</b>	<b>\$ 191,369</b>	<b>\$ 219,332</b>



**OTHER GOVERNMENTAL FUNDS**

The following statements present the combining balance sheet for Other Governmental Funds comprising Special Revenue, Debt Service, and Permanent funds.

**COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
JUNE 30, 2011**

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTAL
<b>ASSETS:</b>				
Cash and Pooled Cash	\$ 760,278	\$ -	\$ -	\$ 760,278
Taxes Receivable, net	39,235	-	-	39,235
Other Receivables, net	70,019	-	8,588	78,607
Due From Other Governments	12,907	341	8	13,256
Due From Other Funds	5,846	-	3,478	9,324
Inventories	179	-	-	179
Prepays, Advances, and Deferred Charges	3,328	-	3	3,331
Restricted Cash and Pooled Cash	44,395	218	127,717	172,330
Restricted Investments	76,655	-	519,072	595,727
Restricted Receivables	-	-	-	-
Investments	71,223	9,568	-	80,791
Other Long-Term Assets	17,547	-	5,560	23,107
Land and Nondepreciable Infrastructure	81	-	17,081	17,162
<b>TOTAL ASSETS</b>	<b>\$ 1,101,693</b>	<b>\$ 10,127</b>	<b>\$ 681,507</b>	<b>\$ 1,793,327</b>
<b>LIABILITIES:</b>				
Tax Refunds Payable	\$ 146	\$ -	\$ -	\$ 146
Accounts Payable and Accrued Liabilities	53,262	-	730	53,992
Due To Other Governments	20,702	-	5	20,707
Due To Other Funds	43,170	-	7,163	50,333
Deferred Revenue	77,744	-	5,199	82,943
Claims and Judgments Payable	81	-	-	81
Other Current Liabilities	2,641	-	-	2,641
Deposits Held In Custody For Others	5	-	-	5
<b>TOTAL LIABILITIES</b>	<b>197,751</b>	<b>-</b>	<b>13,097</b>	<b>210,848</b>
<b>FUND BALANCES:</b>				
Nonspendable:				
Inventories	179	-	-	179
Permanent Fund Principal	-	-	658,883	658,883
Prepays	3,328	-	3	3,331
Restricted	244,199	10,127	8,017	262,343
Committed	656,236	-	1,507	657,743
<b>TOTAL FUND BALANCES</b>	<b>903,942</b>	<b>10,127</b>	<b>668,410</b>	<b>1,582,479</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,101,693</b>	<b>\$ 10,127</b>	<b>\$ 681,507</b>	<b>\$ 1,793,327</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTALS
<b>REVENUES:</b>				
Taxes:				
Sales and Use	\$ 34,237	\$ -	\$ -	\$ 34,237
Excise	147,368	-	-	147,368
Other Taxes	147,033	-	-	147,033
Licenses, Permits, and Fines	393,268	-	-	393,268
Charges for Goods and Services	531,064	-	-	531,064
Rents	8,522	-	118,168	126,690
Investment Income (Loss)	16,949	121	22,103	39,173
Federal Grants and Contracts	202,789	-	8	202,797
Additions to Permanent Funds	-	-	460	460
Unclaimed Property Receipts	40,446	-	-	40,446
Other	39,870	-	13	39,883
<b>TOTAL REVENUES</b>	<b>1,561,546</b>	<b>121</b>	<b>140,752</b>	<b>1,702,419</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	48,936	-	287	49,223
Business, Community, and Consumer Affairs	167,008	-	-	167,008
Education	18,295	-	2	18,297
Health and Rehabilitation	89,159	-	-	89,159
Justice	33,454	-	-	33,454
Natural Resources	15,658	-	6,850	22,508
Social Assistance	198,826	-	-	198,826
Transportation	1,442	-	-	1,442
Capital Outlay	5,557	-	5	5,562
Intergovernmental:				
Cities	44,224	-	-	44,224
Counties	72,234	-	99	72,333
School Districts	8,897	-	-	8,897
Special Districts	7,041	-	-	7,041
Federal	1,482	-	-	1,482
Other	37,100	-	-	37,100
Debt Service	106	197,791	-	197,897
<b>TOTAL EXPENDITURES</b>	<b>749,419</b>	<b>197,791</b>	<b>7,243</b>	<b>954,453</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>812,127</b>	<b>(197,670)</b>	<b>133,509</b>	<b>747,966</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers-In	36,051	203,704	300	240,055
Transfers-Out	(886,681)	-	(141,474)	(1,028,155)
Sale of Capital Assets	-	-	46	46
Insurance Recoveries	60	-	5	65
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(850,570)</b>	<b>203,704</b>	<b>(141,123)</b>	<b>(787,989)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(38,443)</b>	<b>6,034</b>	<b>(7,614)</b>	<b>(40,023)</b>
<b>FUND BALANCE, FISCAL YEAR BEGINNING</b>	<b>1,049,680</b>	<b>4,093</b>	<b>674,285</b>	<b>1,728,058</b>
Prior Period Adjustment (See Note 29)	(11,736)	-	-	(11,736)
Accounting Changes (See Note 29)	(95,559)	-	1,739	(93,820)
<b>FUND BALANCE, FISCAL YEAR END</b>	<b>\$ 903,942</b>	<b>\$ 10,127</b>	<b>\$ 668,410</b>	<b>\$ 1,582,479</b>



**SPECIAL REVENUE FUNDS**

LABOR	This fund accounts for injured workers' medical benefits provided by statutes when the injury is not covered by workers' compensation benefits.
GAMING	This fund accounts for operations of the Colorado Gaming Commission and its oversight of gaming operations in the State. It also accounts for the preservation activities of the Colorado Historical Society related to the revenues it receives from gaming.
TOBACCO IMPACT MITIGATION	This fund accounts for receipts directly from the tobacco litigation settlement, earnings on those funds, and the expenditures of programs funded by the tobacco master settlement agreement. In addition, it accounts for tax revenues received from an additional State tax on cigarettes and tobacco products approved by State voters in the 2004 general election and the expenditure of those tax revenues.
RESOURCE MANAGEMENT	This fund accounts for receipts from licenses, rents, and fees related to managing the water, oil and gas, parks, and outdoor recreation resources of the State. Most of the related programs are managed by the Colorado Department of Natural Resources.
ENVIRONMENT AND HEALTH PROTECTION	This fund accounts for a large number of individual programs managed primarily by the Department of Public Health and Environment. The programs are primarily designed to regulate air, water, and other forms of pollution, control the spread of diseases, and regulate activities that impact the health of the citizens of Colorado.
UNCLAIMED PROPERTY	This fund reports the escheats funds managed by the State Treasurer that are not held in trust for claimants. The receipts of the fund are from bank accounts, investment accounts, and insurance proceeds that are placed with the State when the owners of the assets cannot be located. Per statute, the owner's legal rights to the asset are protected in perpetuity; however, historically not all of the assets are claimed. The assets ultimately expected to be claimed and paid are reported as Net Assets Held In Trust in the Unclaimed Property Trust Fund, a nonmajor Fiduciary Fund.
OTHER SPECIAL REVENUE	This fund category represents a collection of 217 individual active funds created in statute that have a wide variety of purposes. Funds in this category also have a broad diversity of revenue types. (See page 234 for a detail listing of these funds that have net assets in excess of \$200,000.)

**COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS  
JUNE 30, 2011**

(DOLLARS IN THOUSANDS)

	LABOR	GAMING	TOBACCO IMPACT MITIGATION	RESOURCE MANAGEMENT
<b>ASSETS:</b>				
Cash and Pooled Cash	\$ 62,580	\$ 113,359	\$ 39,051	\$ 18,211
Taxes Receivable, net	12,946	10,679	12,435	-
Other Receivables, net	1,565	519	44,751	5,871
Due From Other Governments	166	-	9,214	875
Due From Other Funds	158	-	3,864	124
Inventories	-	-	-	165
Prepays, Advances, and Deferred Charges	-	16	2	1,639
Restricted Cash and Pooled Cash	17,345	23,915	-	3,135
Restricted Investments	76,655	-	-	-
Investments	18,258	-	-	-
Other Long-Term Assets	-	-	-	-
Land and Nondepreciable Infrastructure	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 189,673</b>	<b>\$ 148,488</b>	<b>\$ 109,317</b>	<b>\$ 30,020</b>
<b>LIABILITIES:</b>				
Tax Refunds Payable	\$ -	\$ -	\$ -	\$ -
Accounts Payable and Accrued Liabilities	1,270	3,687	20,622	2,951
Due To Other Governments	-	19,614	293	212
Due To Other Funds	3,209	22,744	11,853	84
Deferred Revenue	-	564	-	2,291
Claims and Judgments Payable	70	-	-	-
Other Current Liabilities	148	11	-	11
Deposits Held In Custody For Others	-	4	-	-
<b>TOTAL LIABILITIES</b>	<b>4,697</b>	<b>46,624</b>	<b>32,768</b>	<b>5,549</b>
<b>FUND BALANCES:</b>				
Nonspendable:				
Inventories	-	-	-	165
Prepays	-	16	2	1,639
Restricted	85,400	58,150	7,030	2,084
Committed	99,576	43,698	69,517	20,583
<b>TOTAL FUND BALANCES</b>	<b>184,976</b>	<b>101,864</b>	<b>76,549</b>	<b>24,471</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 189,673</b>	<b>\$ 148,488</b>	<b>\$ 109,317</b>	<b>\$ 30,020</b>

ENVIRONMENT AND HEALTH PROTECTION	UNCLAIMED PROPERTY	OTHER SPECIAL REVENUE	TOTALS
\$ 129,936	\$ 77,457	\$ 319,684	\$ 760,278
-	-	3,175	39,235
7,213	374	9,726	70,019
1	-	2,651	12,907
90	-	1,610	5,846
-	-	14	179
-	-	1,671	3,328
-	-	-	44,395
-	-	-	76,655
-	52,965	-	71,223
-	-	17,547	17,547
-	-	81	81
<u>\$ 137,240</u>	<u>\$ 130,796</u>	<u>\$ 356,159</u>	<u>\$ 1,101,693</u>
\$ -	\$ -	\$ 146	\$ 146
4,437	1,666	18,629	53,262
-	-	583	20,702
4,153	10	1,117	43,170
1,781	6	73,102	77,744
-	-	11	81
-	-	2,471	2,641
-	-	1	5
<u>10,371</u>	<u>1,682</u>	<u>96,060</u>	<u>197,751</u>
-	-	14	179
-	-	1,671	3,328
11,270	-	80,265	244,199
115,599	129,114	178,149	656,236
<u>126,869</u>	<u>129,114</u>	<u>260,099</u>	<u>903,942</u>
<u>\$ 137,240</u>	<u>\$ 130,796</u>	<u>\$ 356,159</u>	<u>\$ 1,101,693</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OTHER SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 2011**

(DOLLARS IN THOUSANDS)

	LABOR	GAMING	TOBACCO IMPACT MITIGATION	RESOURCE MANAGEMENT
<b>REVENUES:</b>				
Taxes:				
Sales and Use	\$ -	\$ -	\$ -	\$ -
Excise	-	-	145,104	-
Other Taxes	39,642	104,808	-	-
Licenses, Permits, and Fines	430	1,070	87,677	21,342
Charges for Goods and Services	200	365	428	3,106
Rents	-	345	-	8,153
Investment Income (Loss)	5,567	1,199	335	305
Federal Grants and Contracts	-	135	119,288	1,678
Unclaimed Property Receipts	-	-	-	-
Other	450	1,368	796	11,684
<b>TOTAL REVENUES</b>	<u>46,289</u>	<u>109,290</u>	<u>353,628</u>	<u>46,268</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	235	-	47	-
Business, Community, and Consumer Affairs	20,276	36,172	-	120
Education	-	14,137	191	-
Health and Rehabilitation	-	75	23,774	-
Justice	-	-	-	-
Natural Resources	-	-	-	15,658
Social Assistance	-	-	185,375	-
Transportation	-	-	-	-
Capital Outlay	-	25	64	1,815
Intergovernmental:				
Cities	-	17,261	1,190	286
Counties	562	16,655	14,075	385
School Districts	-	285	5,333	-
Special Districts	-	2,811	-	-
Federal	-	-	-	-
Other	-	1,231	5,305	1,836
Debt Service	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>21,073</u>	<u>88,652</u>	<u>235,354</u>	<u>20,100</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>25,216</u>	<u>20,638</u>	<u>118,274</u>	<u>26,168</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers-In	900	-	20,437	5,998
Transfers-Out	(40,188)	(39,448)	(229,591)	(25,751)
Insurance Recoveries	-	8	-	52
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(39,288)</u>	<u>(39,440)</u>	<u>(209,154)</u>	<u>(19,701)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(14,072)</u>	<u>(18,802)</u>	<u>(90,880)</u>	<u>6,467</u>
<b>FUND BALANCE, FISCAL YEAR BEGINNING</b>				
Prior Period Adjustment (See Note 29)	193,556	92,231	178,040	49,492
Accounting Changes (See Note 29)	-	(1,475)	(11,607)	-
	5,492	29,910	996	(31,488)
<b>FUND BALANCE, FISCAL YEAR END</b>	<u>\$ 184,976</u>	<u>\$ 101,864</u>	<u>\$ 76,549</u>	<u>\$ 24,471</u>

ENVIRONMENT AND HEALTH PROTECTION	UNCLAIMED PROPERTY	OTHER SPECIAL REVENUE	TOTALS
\$ -	\$ -	\$ 34,237	\$ 34,237
-	-	2,264	147,368
-	-	2,583	147,033
39,982	-	242,767	393,268
490,256	-	36,709	531,064
-	-	24	8,522
2,497	2,989	4,057	16,949
277	-	81,411	202,789
-	40,446	-	40,446
309	3	25,260	39,870
533,321	43,438	429,312	1,561,546
-	31,916	16,738	48,936
-	634	109,806	167,008
-	-	3,967	18,295
37,138	-	28,172	89,159
172	-	33,282	33,454
-	-	-	15,658
21	-	13,430	198,826
-	-	1,442	1,442
346	90	3,217	5,557
630	10	24,847	44,224
2,050	223	38,284	72,234
130	-	3,149	8,897
111	208	3,911	7,041
28	-	1,454	1,482
899	-	27,829	37,100
-	-	106	106
41,525	33,081	309,634	749,419
491,796	10,357	119,678	812,127
3,650	-	5,066	36,051
(478,492)	(2,031)	(71,180)	(886,681)
-	-	-	60
(474,842)	(2,031)	(66,114)	(850,570)
16,954	8,326	53,564	(38,443)
110,757	119,627	305,977	1,049,680
163	-	1,183	(11,736)
(1,005)	1,161	(100,625)	(95,559)
\$ 126,869	\$ 129,114	\$ 260,099	\$ 903,942



**PERMANENT FUNDS**

STATE LANDS

This fund consists of the assets, liabilities, and operations related to lands granted to the State by the federal government for educational purposes. This fund also includes unclaimed assets from estates or trusts with unknown beneficiaries. Per statute, these assets become property of the State after 21 years.

OTHER PERMANENT TRUST

This fund category represents several minor permanent funds including Wildlife for Future Generations Fund and the Veterans Monument Preservation Fund.

**COMBINING BALANCE SHEET  
PERMANENT FUNDS  
JUNE 30, 2011**

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
<b>ASSETS:</b>			
Other Receivables, net	\$ 8,588	\$ -	\$ 8,588
Due From Other Governments	-	8	8
Due From Other Funds	3,478	-	3,478
Prepays, Advances, and Deferred Charges	3	-	3
Restricted Cash and Pooled Cash	119,339	8,378	127,717
Restricted Investments	519,072	-	519,072
Other Long-Term Assets	5,560	-	5,560
Capital Assets Held as Investments	17,081	-	17,081
<b>TOTAL ASSETS</b>	<b>\$ 673,121</b>	<b>\$ 8,386</b>	<b>\$ 681,507</b>
<b>LIABILITIES:</b>			
Accounts Payable and Accrued Liabilities	\$ 720	\$ 10	\$ 730
Due To Other Governments	5	-	5
Due To Other Funds	7,163	-	7,163
Deferred Revenue	5,199	-	5,199
<b>TOTAL LIABILITIES</b>	<b>13,087</b>	<b>10</b>	<b>13,097</b>
<b>FUND BALANCES:</b>			
Nonspendable:			
Permanent Fund Principal	651,949	6,934	658,883
Prepays	3	-	3
Restricted	8,014	3	8,017
Committed	68	1,439	1,507
<b>TOTAL FUND BALANCES</b>	<b>660,034</b>	<b>8,376</b>	<b>668,410</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 673,121</b>	<b>\$ 8,386</b>	<b>\$ 681,507</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
PERMANENT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
<b>REVENUES:</b>			
Rents	\$ 118,168	\$ -	\$ 118,168
Investment Income (Loss)	21,987	116	22,103
Federal Grants and Contracts	-	8	8
Additions to Permanent Funds	460	-	460
Other	9	4	13
<b>TOTAL REVENUES</b>	<b>140,624</b>	<b>128</b>	<b>140,752</b>
<b>EXPENDITURES:</b>			
Current:			
General Government	285	2	287
Education	-	2	2
Natural Resources	6,827	23	6,850
Capital Outlay	5	-	5
Intergovernmental:			
Counties	99	-	99
<b>TOTAL EXPENDITURES</b>	<b>7,216</b>	<b>27</b>	<b>7,243</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>133,408</b>	<b>101</b>	<b>133,509</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers-In	300	-	300
Transfers-Out	(141,459)	(15)	(141,474)
Sale of Capital Assets	46	-	46
Insurance Recoveries	5	-	5
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(141,108)</b>	<b>(15)</b>	<b>(141,123)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(7,700)</b>	<b>86</b>	<b>(7,614)</b>
<b>FUND BALANCE, FISCAL YEAR BEGINNING</b>	<b>665,995</b>	<b>8,290</b>	<b>674,285</b>
Accounting Changes (See Note 29)	1,739	-	1,739
<b>FUND BALANCE, FISCAL YEAR END</b>	<b>\$ 660,034</b>	<b>\$ 8,376</b>	<b>\$ 668,410</b>



**OTHER ENTERPRISE FUNDS**

These funds account for operations of State agencies that provide a majority of their services to the public on a user charge basis; most of them have been designated by statute as enterprises. The major activities in these funds are:

COLLEGEINVEST	CollegeInvest's Prepaid Tuition Fund, which was established in 1997, provides an opportunity for saving for future college expenses at private and public colleges, universities, and vocational schools throughout the United States.
WILDLIFE	Expenses of this fund are to preserve the State's wildlife and promote outdoor recreational activities, while revenues are from hunting and fishing license fees as well as various fines.
COLLEGE ASSIST	This fund records the activities of College Assist, which guarantees Colorado and certain nationwide loans made by private lending institutions in compliance with operating agreements with the U.S. Department of Education to students attending postsecondary schools. It also includes loan programs for Colorado residents that are not reinsured by the federal government.
STATE FAIR AUTHORITY	The State Fair Authority operates the Colorado State Fair, and other events, at the State fairgrounds in Pueblo.
CORRECTIONAL INDUSTRIES	This activity reports the production and sale of manufactured goods and farm products that are produced by convicted criminals who are incarcerated in the State prison system.
STATE NURSING HOMES	This activity is for nursing home and retirement care provided to the elderly at the State facilities at Fitzsimons, Homelake, Walsenburg, Florence, and Rifle.
PRISON CANTEENS	This activity accounts for the various canteen operations in the State's prison system.
PETROLEUM STORAGE TANK	This activity accounts for grants, registration fees, environmental response surcharges, and penalties associated with the regulation and abatement of fire and safety issues related to above and underground petroleum storage tanks.
TRANSPORTATION ENTERPRISE	This fund consists of the Bridge Enterprise and the High Performance Transportation Enterprise in the Department of Transportation. The bridge and highway construction activity is financed through bond issuances and user fees. Before Fiscal Year 2010-11 these enterprises were reported as Other Enterprises.
OTHER ENTERPRISE ACTIVITIES	The other enterprise activities of the State include the Business Enterprise Program, which is staffed by the visually impaired and manages food vending operations in State buildings; the Enterprise Services Fund of the Colorado Historical Society, which sells goods at State museums; and various smaller enterprise operations.

**COMBINING STATEMENT OF NET ASSETS  
OTHER ENTERPRISE FUNDS  
JUNE 30, 2011**

(DOLLARS IN THOUSANDS)				
	COLLEGEINVEST	WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Cash and Pooled Cash	\$ 64,945	\$ -	\$ 36,165	\$ 2,003
Investments	1,675	-	-	-
Student and Other Receivables, net	502	10,411	155	22
Due From Other Governments	-	-	1,718	46
Due From Other Funds	24	62	-	-
Inventories	-	995	-	24
Prepays, Advances, and Deferred Charges	57	527	348	166
<b>Total Current Assets</b>	<b>67,203</b>	<b>11,995</b>	<b>38,386</b>	<b>2,261</b>
<b>Noncurrent Assets:</b>				
Restricted Cash and Pooled Cash	3,275	49,427	30,096	-
Restricted Receivables	1,576	3,186	20,218	-
Investments	41,222	-	-	-
Other Long-Term Assets	485	-	-	-
Depreciable Capital Assets and Infrastructure, net	11	56,475	-	11,232
Land and Nondepreciable Infrastructure	-	214,461	-	1,676
<b>Total Noncurrent Assets</b>	<b>46,569</b>	<b>323,549</b>	<b>50,314</b>	<b>12,908</b>
<b>TOTAL ASSETS</b>	<b>113,772</b>	<b>335,544</b>	<b>88,700</b>	<b>15,169</b>
<b>LIABILITIES:</b>				
<b>Current Liabilities:</b>				
Accounts Payable and Accrued Liabilities	349	10,341	380	532
Due To Other Governments	-	-	28,102	-
Due To Other Funds	4,846	403	-	-
Deferred Revenue	-	29,316	-	819
Compensated Absences Payable	-	308	-	9
Leases Payable	-	-	-	11
Notes, Bonds, and COPs Payable	-	-	-	-
Other Current Liabilities	4,842	-	4,455	10
<b>Total Current Liabilities</b>	<b>10,037</b>	<b>40,368</b>	<b>32,937</b>	<b>1,381</b>
<b>Noncurrent Liabilities:</b>				
Accrued Compensated Absences	130	4,738	140	128
Capital Lease Payable	-	-	-	1,743
Notes, Bonds, and COPs Payable	-	-	-	-
Other Long-Term Liabilities	25,709	-	-	-
<b>Total Noncurrent Liabilities</b>	<b>25,839</b>	<b>4,738</b>	<b>140</b>	<b>1,871</b>
<b>TOTAL LIABILITIES</b>	<b>35,876</b>	<b>45,106</b>	<b>33,077</b>	<b>3,252</b>
<b>NET ASSETS:</b>				
Invested in Capital Assets, Net of Related Debt	11	270,936	-	11,154
<b>Restricted for:</b>				
Emergencies	-	12,368	-	-
Other Purposes	-	-	22,101	-
Unrestricted	77,885	7,134	33,522	763
<b>TOTAL NET ASSETS</b>	<b>\$ 77,896</b>	<b>\$ 290,438</b>	<b>\$ 55,623</b>	<b>\$ 11,917</b>

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
\$ 5,717	\$ 6,540	\$ 1,433	\$ 8,508	\$ 44,475	\$ 7,084	\$ 176,870
-	563	-	-	-	-	2,238
1,187	806	296	3,944	6,769	705	24,797
204	3,578	-	49	2,004	43	7,642
2,956	1,414	-	-	-	-	4,456
11,552	200	488	-	-	182	13,441
38	5	-	-	-	171	1,312
21,654	13,106	2,217	12,501	53,248	8,185	230,756
-	-	-	-	-	-	82,798
-	-	-	-	-	-	24,980
-	-	-	-	341,197	-	382,419
1,796	280	-	-	1,820	149	4,530
3,404	27,815	2,022	387	4,113	12,554	118,013
980	10,256	-	-	35,034	4,003	266,410
6,180	38,351	2,022	387	382,164	16,706	879,150
27,834	51,457	4,239	12,888	435,412	24,891	1,109,906
4,133	3,833	552	3,622	7,500	1,372	32,614
-	580	-	-	-	-	28,682
-	-	-	-	-	-	5,249
-	759	-	10	-	800	31,704
26	172	-	-	-	201	716
-	208	-	-	-	-	219
-	410	-	-	-	364	774
4	1	-	-	-	3	9,315
4,163	5,963	552	3,632	7,500	2,740	109,273
1,026	1,683	200	333	19	336	8,733
-	2,198	-	-	-	-	3,941
-	2,844	-	-	300,000	6,432	309,276
-	-	-	-	-	-	25,709
1,026	6,725	200	333	300,019	6,768	347,659
5,189	12,688	752	3,965	307,519	9,508	456,932
4,384	32,380	2,022	387	33,680	9,761	364,715
-	-	-	-	-	-	12,368
-	-	-	-	-	-	22,101
18,261	6,389	1,465	8,536	94,213	5,622	253,790
\$ 22,645	\$ 38,769	\$ 3,487	\$ 8,923	\$ 127,893	\$ 15,383	\$ 652,974

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS OTHER ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2011**

(DOLLARS IN THOUSANDS)

	COLLEGEINVEST	WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
OPERATING REVENUES:				
License and Permits	\$ -	\$ 75,992	\$ -	\$ -
Tuition and Fees	-	2	-	-
Sales of Goods and Services	3	2,160	-	6,208
Investment Income (Loss)	7,985	-	3,125	-
Rental Income	-	-	-	-
Federal Grants and Contracts	1,180	21,575	387,725	566
Intergovernmental Revenue	-	22,053	-	-
Other	13,969	557	3,859	28
TOTAL OPERATING REVENUES	23,137	122,339	394,709	6,802
OPERATING EXPENSES:				
Salaries and Fringe Benefits	455	56,482	45,326	3,721
Operating and Travel	3,157	45,829	341,274	4,014
Cost of Goods Sold	1,730	-	-	-
Depreciation and Amortization	24	4,161	2	526
Intergovernmental Distributions	2,243	1,943	-	-
Debt Service	431	-	15,955	-
Prizes and Awards	-	9	-	785
TOTAL OPERATING EXPENSES	8,040	108,424	402,557	9,046
OPERATING INCOME (LOSS)	15,097	13,915	(7,848)	(2,244)
NONOPERATING REVENUES AND (EXPENSES):				
Taxes	-	-	-	-
Fines and Settlements	-	213	-	-
Investment Income (Loss)	-	263	-	876
Rental Income	-	516	-	-
Gifts and Donations	-	1,118	-	528
Federal Grants and Contracts	-	-	-	-
Gain/(Loss) on Sale or Impairment of Capital Assets	-	26	-	-
Insurance Recoveries from Prior Year Impairments	-	64	-	-
Debt Service	-	(63)	-	(4)
Other Expenses	-	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	-	2,137	-	1,400
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	15,097	16,052	(7,848)	(844)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	-	5,109	-	479
Transfers-In	162	2,789	-	-
Transfers-Out	(15,494)	(7,789)	(115)	(143)
TOTAL CONTRIBUTIONS AND TRANSFERS	(15,332)	109	(115)	336
CHANGE IN NET ASSETS	(235)	16,161	(7,963)	(508)
NET ASSETS - FISCAL YEAR BEGINNING	78,818	274,277	63,586	12,425
Prior Period Adjustments (See Note 29)	(687)	-	-	-
NET ASSETS - FISCAL YEAR ENDING	\$ 77,896	\$ 290,438	\$ 55,623	\$ 11,917

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
\$ -	\$ -	\$ -	\$ 537	\$ -	\$ 7,508	\$ 84,037
-	-	-	-	-	215	217
45,299	35,549	17,214	4	69,450	4,243	180,130
-	-	-	-	-	955	11,110
-	16,688	-	1,822	15,264	688	1,521
-	342	-	-	-	-	444,942
157	40	37	15	113	44	18,819
45,456	52,619	17,251	2,378	84,827	13,653	763,171
10,645	35,693	6,629	9,993	2,777	5,033	176,754
8,741	9,345	2,368	25,773	1,725	7,863	450,089
25,315	-	10,695	-	-	131	37,871
502	1,606	110	127	48	646	7,752
-	3,942	-	-	-	-	8,128
-	-	-	-	-	-	16,386
-	-	-	-	-	-	794
45,203	50,586	19,802	35,893	4,550	13,673	697,774
253	2,033	(2,551)	(33,515)	80,277	(20)	65,397
-	-	-	36,731	-	-	36,731
-	-	-	116	19	25	373
32	(20)	24	109	3,614	29	4,927
440	2	-	-	-	-	958
1	10	-	-	1,368	490	3,515
16	5,426	-	-	-	474	5,942
-	-	-	-	-	-	64
-	(300)	-	-	(9,528)	116	(9,779)
-	(42)	-	-	(38)	(11)	(91)
489	5,076	24	36,956	(4,565)	1,123	42,640
742	7,109	(2,527)	3,441	75,712	1,103	108,037
-	2,190	-	-	-	2,748	10,526
-	986	-	-	-	-	3,937
(330)	(1,765)	(1,947)	(905)	(905)	(240)	(29,633)
(330)	1,411	(1,947)	(905)	(905)	2,508	(15,170)
412	8,520	(4,474)	2,536	74,807	3,611	92,867
22,233	30,249	7,961	6,387	53,086	11,772	560,794
-	-	-	-	-	-	(687)
\$ 22,645	\$ 38,769	\$ 3,487	\$ 8,923	\$ 127,893	\$ 15,383	\$ 652,974

**COMBINING STATEMENT OF CASH FLOWS  
OTHER ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

(DOLLARS IN THOUSANDS)

	COLLEGE/INVEST	WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from:				
Tuition, Fees, and Student Loans	\$ -	\$ 2	\$ -	\$ -
Fees for Service	1,255	64,857	678	4,763
Sales of Products	-	733	587	158
Gifts, Grants, and Contracts	1,180	22,203	398,522	28
Loan and Note Repayments	16,273	-	-	-
Income from Property	194,800	516	-	566
Other Sources	-	28,702	3,272	2,091
Cash Payments to or for:				
Employees	(464)	(53,312)	(1,873)	(2,225)
Suppliers	(21,215)	(32,970)	(50,382)	(5,413)
Sales Commissions and Lottery Prizes	-	(5,820)	-	-
Others for Student Loans and Loan Losses	(197,962)	-	(355,354)	-
Other Governments	(2,243)	(1,943)	-	-
Other	(1,185)	(8,478)	-	(910)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>(9,561)</b>	<b>14,490</b>	<b>(4,550)</b>	<b>(942)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers-In	162	2,789	-	-
Transfers-Out	(15,494)	(7,789)	(115)	(143)
Receipt of Deposits Held in Custody	-	-	8	2
Release of Deposits Held in Custody	-	(1)	(8)	(2)
Gifts and Grants for Other Than Capital Purposes	-	1,118	-	-
NonCapital Debt Service Payments	(431)	-	-	-
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES</b>	<b>(15,763)</b>	<b>(3,883)</b>	<b>(115)</b>	<b>(143)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition of Capital Assets	-	(23,283)	(4)	(737)
Capital Gifts, Grants, and Contracts	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-
Capital Debt Proceeds	-	-	-	1,754
Capital Debt Service Payments	-	(1)	-	(4)
Capital Lease Payments	-	-	-	-
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>-</b>	<b>(23,284)</b>	<b>(4)</b>	<b>1,013</b>

(Continued)

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT • 201

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
\$ -	\$ 559	\$ -	\$ -	\$ -	\$ 215	\$ 776
9,953	35,400	-	35,787	67,711	3,456	223,860
34,078	33	17,227	-	-	621	53,437
-	15,040	-	2,080	14,018	926	453,997
-	-	-	-	-	-	16,273
440	2	-	-	-	955	197,279
173	787	37	658	18	6,028	41,766
-	-	-	-	-	-	-
(9,256)	(34,605)	(6,556)	(3,426)	(2,975)	(4,928)	(119,620)
(34,960)	(10,467)	(13,080)	(32,729)	(647)	(7,704)	(209,567)
-	-	-	-	-	(1)	(5,821)
-	-	-	-	-	-	(553,316)
-	(3,581)	-	-	-	-	(7,767)
(112)	(10)	(22)	(1)	(182)	(71)	(10,971)
316	3,158	(2,394)	2,369	77,943	(503)	80,326
-	986	-	-	-	-	3,937
(330)	(1,765)	(1,947)	(905)	(905)	(240)	(29,633)
-	1	-	-	-	-	11
-	-	-	-	-	-	(11)
1	10	-	-	-	490	1,619
-	(552)	-	-	-	-	(983)
(329)	(1,320)	(1,947)	(905)	(905)	250	(25,060)
-	-	-	-	-	-	-
(384)	(4,575)	-	(23)	(30,934)	(2,964)	(62,904)
-	-	-	-	-	2,748	2,748
14	5,422	-	-	-	-	5,436
-	-	-	-	258,144	330	260,228
-	-	-	-	(8,013)	(567)	(8,585)
-	(822)	-	-	-	-	(822)
(370)	25	-	(23)	219,197	(453)	196,101

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COMBINING STATEMENT OF CASH FLOWS  
OTHER ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

(DOLLARS IN THOUSANDS)	COLLEGEINVEST	WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and Dividends on Investments	1,977	714	3,744	884
Proceeds from Sale/Maturity of Investments	66,891	-	-	-
Purchases of Investments	(19,836)	-	-	-
Increase/(Decrease) from Unrealized Gain/(Loss) on Investments	431	(451)	(619)	(8)
NET CASH FROM INVESTING ACTIVITIES	49,463	263	3,125	876
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	24,139	(12,414)	(1,544)	804
CASH AND POOLED CASH, FISCAL YEAR BEGINNING	44,081	61,841	67,805	1,199
CASH AND POOLED CASH, FISCAL YEAR END	\$ 68,220	\$ 49,427	\$ 66,261	\$ 2,003
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 15,097	\$ 13,915	\$ (7,848)	\$ (2,244)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	24	4,161	2	526
Investment/Rental Income and Other Revenue in Operating Income	(7,984)	-	(3,125)	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	-	757	-	528
(Gain)/Loss on Disposal of Capital and Other Assets	-	(253)	-	-
Compensated Absences	(29)	(421)	10	13
Interest and Other Expense in Operating Income	463	6	4	-
Net Changes in Assets and Liabilities Related to Operating Activities:				
(Increase) Decrease in Operating Receivables	199,718	(5,751)	14,043	(49)
(Increase) Decrease in Inventories	-	50	-	5
(Increase) Decrease in Other Operating Assets	369	(98)	(18)	(57)
Increase (Decrease) in Accounts Payable	(215,154)	2,037	(3,013)	7
Increase (Decrease) in Other Operating Liabilities	(2,065)	87	(4,605)	329
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (9,561)	\$ 14,490	\$ (4,550)	\$ (942)
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:				
Capital Assets Acquired by Grants or Donations and Payable Increases	-	5,109	-	479
Unrealized Gain/Loss on Investments and Interest Receivable Accruals	1,403	-	-	-

**COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT • 203**

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
78	22	110	131	3,446	77	11,183
-	621	-	-	13,244	1	80,757
(46)	(621)	-	-	(354,440)	-	(374,897)
	(42)	(86)	(22)	(272)	(48)	(1,163)
32	(20)	24	109	(338,022)	30	(284,120)
(351)	1,843	(4,317)	1,550	(41,787)	(676)	(32,753)
6,068	4,697	5,750	6,958	86,262	7,760	292,421
\$ 5,717	\$ 6,540	\$ 1,433	\$ 8,508	\$ 44,475	\$ 7,084	\$ 259,668

\$ 253    \$ 2,033    \$ (2,551)    \$ (33,515)    \$ 80,277    \$ (20)    \$ 65,397

502	1,606	110	127	48	646	7,752
-	-	-	-	-	-	(11,109)
456	3	-	36,847	17	25	38,633
-	-	-	-	-	25	(228)
70	(291)	13	2	19	(24)	(638)
-	-	-	-	(4,635)	33	(4,129)
(1,268)	(834)	12	(703)	(3,098)	117	202,187
(820)	24	(15)	-	-	(28)	(784)
(54)	16	-	-	-	61	219
1,178	(155)	37	(394)	5,315	212	(209,930)
(1)	756	-	5	-	(1,550)	(7,044)
\$ 316	\$ 3,158	\$ (2,394)	\$ 2,369	\$ 77,943	\$ (503)	\$ 80,326

-    2,190    -    -    1,368    -    9,146  
 -    -    -    -    -    -    1,403

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**INTERNAL SERVICE FUNDS**

These funds account for operations of State agencies that provide a majority of their services to other State agencies on a user charge basis. The major activities in these funds are:

CENTRAL SERVICES	This fund accounts for the sales of goods and services to other State agencies. The sales items include mail services, printing, quick copy, graphic design, microfilming, fleet, and motor pool.
INFORMATION TECHNOLOGY	This fund accounts for computer services sold to other State agencies formerly General Government Computer Center (GGCC). In April 2011 the GGCC and Telecommunications were merged into one fund, the Information Technology Fund.
TELECOMMUNICATIONS	This fund accounts for telecommunications services sold primarily to other State agencies. In April 2011 this fund was consolidated into the Information Technology Fund.
CAPITOL COMPLEX	This fund accounts for the cost and income related to maintaining State office space in the complex surrounding the State Capitol. Only certain capitol complex capital assets are reported in this fund, and other capitol complex capital assets are reported on the government-wide financial statements.
HIGHWAYS	This fund is used to account for the operations of the Department of Transportation print shop.
PUBLIC SAFETY	This fund accounts for aircraft rental to State agencies by the Department of Public Safety.
OFFICE OF ADMINISTRATIVE COURTS	This fund accounts for the operations of the Office of Administrative Courts in the Department of Personnel & Administration.
OTHER INTERNAL SERVICE ACTIVITIES	This fund primarily accounts for the activities of the Central Collections Unit within the Department of Personnel & Administration. The unit collects receivables due to State agencies on a straight commission basis.

**COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
JUNE 30, 2011**

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	TELECOM- MUNICATIONS
<b>ASSETS:</b>			
Current Assets:			
Cash and Pooled Cash	\$ 6,909	\$ 8,501	\$ -
Other Receivables, net	263	83	-
Due From Other Governments	318	191	-
Due From Other Funds	5	2,303	-
Inventories	644	37	-
Prepays, Advances, and Deferred Charges	19	1,966	-
<b>Total Current Assets</b>	<b>8,158</b>	<b>13,081</b>	<b>-</b>
Noncurrent Assets:			
Other Long-Term Assets	58	-	-
Depreciable Capital Assets and Infrastructure, net	52,061	2,402	-
Land and Nondepreciable Infrastructure	-	-	-
<b>Total Noncurrent Assets</b>	<b>52,119</b>	<b>2,402</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>60,277</b>	<b>15,483</b>	<b>-</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	2,593	7,440	-
Deferred Revenue	169	254	-
Compensated Absences Payable	22	21	-
Leases Payable	8,971	-	-
Notes, Bonds, and COPs Payable	3,535	-	-
Other Current Liabilities	258	-	-
<b>Total Current Liabilities</b>	<b>15,548</b>	<b>7,715</b>	<b>-</b>
Noncurrent Liabilities:			
Accrued Compensated Absences	506	5,743	-
Capital Lease Payable	36,841	-	-
Notes, Bonds, and COPs Payable	4,749	-	-
<b>Total Noncurrent Liabilities</b>	<b>42,096</b>	<b>5,743</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>57,644</b>	<b>13,458</b>	<b>-</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt	(2,035)	2,402	-
Unrestricted	4,668	(377)	-
<b>TOTAL NET ASSETS</b>	<b>\$ 2,633</b>	<b>\$ 2,025</b>	<b>\$ -</b>

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
\$ 1,829	\$ 645	\$ 483	\$ 1,126	\$ 851	\$ 20,344
69	4	11	2	4	436
-	-	-	-	-	509
15	-	-	-	-	2,323
278	297	-	-	-	1,256
-	-	-	-	10	1,995
<u>2,191</u>	<u>946</u>	<u>494</u>	<u>1,128</u>	<u>865</u>	<u>26,863</u>
-	-	-	-	-	58
18,105	99	1,031	13	10	73,721
939	-	-	-	-	939
<u>19,044</u>	<u>99</u>	<u>1,031</u>	<u>13</u>	<u>10</u>	<u>74,718</u>
<u>21,235</u>	<u>1,045</u>	<u>1,525</u>	<u>1,141</u>	<u>875</u>	<u>101,581</u>
1,326	143	49	300	183	12,034
4	-	-	-	8	435
-	-	-	-	-	43
687	-	-	-	-	9,658
-	-	-	-	-	3,535
-	-	-	-	-	258
<u>2,017</u>	<u>143</u>	<u>49</u>	<u>300</u>	<u>191</u>	<u>25,963</u>
291	-	-	300	30	6,870
17,225	-	-	-	-	54,066
-	-	-	-	-	4,749
<u>17,516</u>	<u>-</u>	<u>-</u>	<u>300</u>	<u>30</u>	<u>65,685</u>
<u>19,533</u>	<u>143</u>	<u>49</u>	<u>600</u>	<u>221</u>	<u>91,648</u>
1,132	99	1,031	13	10	2,652
570	803	445	528	644	7,281
<u>\$ 1,702</u>	<u>\$ 902</u>	<u>\$ 1,476</u>	<u>\$ 541</u>	<u>\$ 654</u>	<u>\$ 9,933</u>

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2011**

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	TELECOM-MUNICATIONS
<b>OPERATING REVENUES:</b>			
Sales of Goods and Services	\$ 57,763	\$ 98,358	\$ 26,291
Rental Income	-	-	-
Other	375	2	2
<b>TOTAL OPERATING REVENUES</b>	<u>58,138</u>	<u>98,360</u>	<u>26,293</u>
<b>OPERATING EXPENSES:</b>			
Salaries and Fringe Benefits	8,465	82,514	11,038
Operating and Travel	27,021	20,746	15,099
Cost of Goods Sold	7,597	-	-
Depreciation and Amortization	14,544	439	265
Intergovernmental Distributions	-	-	-
<b>TOTAL OPERATING EXPENSES</b>	<u>57,627</u>	<u>103,699</u>	<u>26,402</u>
<b>OPERATING INCOME (LOSS)</b>	511	(5,339)	(109)
<b>NONOPERATING REVENUES AND (EXPENSES):</b>			
Investment Income (Loss)	26	140	-
Federal Grants and Contracts	-	53	154
Gain/(Loss) on Sale or Impairment of Capital Assets	(4,156)	(4)	-
Debt Service	(2,200)	(77)	-
Other Expenses	(49)	-	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(6,379)</u>	<u>112</u>	<u>154</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>(5,868)</u>	<u>(5,227)</u>	<u>45</u>
<b>CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:</b>			
Capital Contributions	553	-	-
Transfers-In	472	6,405	55
Transfers-Out	(1,567)	(1,193)	(4,769)
<b>TOTAL CONTRIBUTIONS AND TRANSFERS</b>	<u>(542)</u>	<u>5,212</u>	<u>(4,714)</u>
<b>CHANGE IN NET ASSETS</b>	(6,410)	(15)	(4,669)
<b>NET ASSETS - FISCAL YEAR BEGINNING</b>	9,043	2,040	4,669
Accounting Changes (See Note 29)	-	-	-
<b>NET ASSETS - FISCAL YEAR ENDING</b>	<u>\$ 2,633</u>	<u>\$ 2,025</u>	<u>\$ -</u>

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
\$ -	\$ 2,013	\$ 152	\$ 4,443	\$ 3,306	\$ 192,326
11,523	-	-	-	-	11,523
11	-	-	-	4	394
11,534	2,013	152	4,443	3,310	204,243
3,264	1,099	186	3,500	1,299	111,365
4,984	1,321	310	787	1,441	71,709
-	-	-	-	-	7,597
1,270	14	412	7	8	16,959
98	-	-	-	-	98
9,616	2,434	908	4,294	2,748	207,728
1,918	(421)	(756)	149	562	(3,485)
-	(12)	-	30	5	189
450	-	-	-	-	657
(643)	-	-	(2)	-	(4,805)
(818)	-	-	-	-	(3,095)
-	-	-	-	-	(49)
(1,011)	(12)	-	28	5	(7,103)
907	(433)	(756)	177	567	(10,588)
-	-	-	-	-	553
27	-	388	-	-	7,347
(1,336)	-	(16)	(258)	(343)	(9,482)
(1,309)	-	372	(258)	(343)	(1,582)
(402)	(433)	(384)	(81)	224	(12,170)
2,104	1,335	1,860	622	339	22,012
-	-	-	-	91	91
\$ 1,702	\$ 902	\$ 1,476	\$ 541	\$ 654	\$ 9,933

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	TELECOM-MUNICATIONS
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from:			
Tuition, Fees, and Student Loans	\$ -	\$ -	\$ -
Fees for Service	57,355	97,455	26,060
Sales of Products	42	-	-
Gifts, Grants, and Contracts	-	105	67
Income from Property	-	-	-
Other Sources	242	2	2
Cash Payments to or for:			
Employees	(6,818)	(58,442)	(10,988)
Suppliers	(35,983)	(36,089)	(15,737)
Sales Commissions and Lottery Prizes	-	-	-
Other Governments	-	-	-
Other	(23)	(51)	(3)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>14,815</b>	<b>2,980</b>	<b>(599)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers-In	472	4,870	55
Transfers-Out	(1,567)	(1,193)	(3,234)
Receipt of Deposits Held in Custody	529	-	-
Release of Deposits Held in Custody	(271)	-	-
NonCapital Debt Proceeds	-	7	-
NonCapital Debt Service Payments	-	(7)	-
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES</b>	<b>(837)</b>	<b>3,677</b>	<b>(3,179)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition of Capital Assets	(16,795)	(23,107)	(23,881)
Proceeds from Sale of Capital Assets	8,929	22,643	23,881
Capital Debt Service Payments	(4,653)	(77)	-
Capital Lease Payments	(1,861)	-	-
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(14,380)</b>	<b>(541)</b>	<b>-</b>

(Continued)

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
\$ -	\$ -	\$ 3	\$ -	\$ -	\$ 3
-	900	142	4,441	3,308	189,661
-	1,112	-	-	3	1,157
450	-	-	-	-	622
11,486	-	-	-	-	11,486
18	-	-	-	3	267
(3,100)	(1,048)	(187)	(3,338)	(1,116)	(85,037)
(4,632)	(1,374)	(311)	(882)	(783)	(95,791)
-	-	-	-	(706)	(706)
(98)	-	-	-	-	(98)
-	-	-	-	(103)	(180)
4,124	(410)	(353)	221	606	21,384
27	-	388	-	-	5,812
(1,336)	-	(16)	(258)	(343)	(7,947)
-	-	-	-	-	529
-	-	-	-	-	(271)
-	-	-	-	-	7
-	-	-	-	-	(7)
(1,309)	-	372	(258)	(343)	(1,877)
(2,776)	-	-	-	-	(66,559)
150	-	-	-	-	55,603
(818)	-	-	-	-	(5,548)
-	-	-	-	-	(1,861)
(3,444)	-	-	-	-	(18,365)

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

(Continued)

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	TELECOM-MUNICATIONS
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest and Dividends on Investments	26	-	-
Proceeds from Sale/Maturity of Investments	-	-	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	-	140	-
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>26</b>	<b>140</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH AND POOLED CASH</b>	<b>(376)</b>	<b>6,256</b>	<b>(3,778)</b>
<b>CASH AND POOLED CASH, FISCAL YEAR BEGINNING</b>	<b>7,285</b>	<b>2,245</b>	<b>3,778</b>
Accounting Changes (See Note 29)	-	-	-
<b>CASH AND POOLED CASH, FISCAL YEAR END</b>	<b>\$ 6,909</b>	<b>\$ 8,501</b>	<b>\$ -</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ 511	\$ (5,339)	\$ (109)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	14,544	439	265
Investment/Rental Income and Other Revenue in Operating Income	(54)	-	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	-	53	154
(Gain)/Loss on Disposal of Capital and Other Assets	4	-	-
Compensated Absences	62	4,164	-
Interest and Other Expense in Operating Income	3	-	-
Net Changes in Assets and Liabilities Related to Operating Activities:			
(Increase) Decrease in Operating Receivables	(281)	(1,107)	(316)
(Increase) Decrease in Inventories	94	8	-
(Increase) Decrease in Other Operating Assets	(11)	(1,494)	62
Increase (Decrease) in Accounts Payable	161	6,002	(655)
Increase (Decrease) in Other Operating Liabilities	(218)	254	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 14,815</b>	<b>\$ 2,980</b>	<b>\$ (599)</b>
<b>SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:</b>			
Capital Assets Acquired by Grants or Donations and Payable Increases	553	1,376	-
Loss on Disposal of Capital and Other Assets	-	3	-
Disposal of Capital Assets	-	-	1,376

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
-	-	-	14	2	42
-	-	-	34	-	34
-	(12)	-	(17)	3	114
-	(12)	-	31	5	190
(629)	(422)	19	(6)	268	1,332
2,458	1,067	464	1,132	484	18,913
-	-	-	-	99	99
\$ 1,829	\$ 645	\$ 483	\$ 1,126	\$ 851	\$ 20,344

\$ 1,918	\$ (421)	\$ (756)	\$ 149	\$ 562	\$ (3,485)
1,270	14	412	7	8	16,959
-	-	-	-	-	(54)
454	-	-	-	-	661
-	-	-	-	-	4
14	-	-	55	(5)	4,290
159	-	-	-	-	162
(40)	(1)	(5)	(1)	6	(1,745)
(44)	(30)	-	-	-	28
-	-	-	-	(10)	(1,453)
389	28	(4)	11	46	5,978
4	-	-	-	(1)	39
\$ 4,124	\$ (410)	\$ (353)	\$ 221	\$ 606	\$ 21,384

-	-	-	-	-	1,929
647	-	-	2	-	652
-	-	-	-	-	1,376

**FIDUCIARY FUNDS**

Fiduciary Funds are used to account for assets held by the State in its governmental capacity on behalf of local governments, citizens, and other external parties. Pension and Other Employee Benefits Trust Funds are included in this category. The major components of the remaining fiduciary funds are:

PRIVATE PURPOSE TRUST FUNDS

TREASURER'S

This fund primarily includes moneys managed by the State Treasurer on behalf of qualified charter schools (those charters schools meeting specific statutory requirements) to finance capital construction with bonds guaranteed by the moneys in this fund. Qualified charter schools choosing to participate in this program make annual payments to the fund that may be used by the Treasurer to make debt service payments if any of the qualified schools is unable to do so.

UNCLAIMED PROPERTY

This fund comprises a portion of the escheats funds managed by the State Treasurer. The receipts of the fund are from bank accounts, investment accounts, and insurance proceeds that are placed with the State when the owners of the assets cannot be located. The owner's legal rights to the asset are protected in perpetuity. The fund reports Net Assets Held in Trust for the amount ultimately expected to be claimed and paid based on analysis of the history of claims paid versus collections. The remaining unclaimed assets are reported in the Unclaimed Property nonmajor Special Revenue Fund.

COLLEGE SAVINGS PLAN

The College Savings Plan (commonly referred to as the Scholars Choice Fund) authorized in statute is used to record the deposits, withdrawals, and investment returns of participants in the college savings program. The moneys in the fund are neither insured nor guaranteed by the State.

COLLEGE OPPORTUNITY FUND

The College Opportunity Fund (COF) began operations in Fiscal Year 2005-06. It receives stipends appropriated by the Legislature and distributes them to qualified institutions on behalf of students attending public and certain private institutions of higher education in the State. The appropriated amounts are held in trust in the COF until the institutions apply for the stipend on behalf of the students. The COF administrator only distributes the stipend to the higher education institution as directed by the student. Any unused stipends remain in the COF and do not revert to the State.

MULTI-STATE LOTTERY WINNERS

The Multistate Lottery Winners Fund was created in Fiscal Year 2007-08 to account for the Colorado Lottery's investments held by the Multi-State Lottery Association (MUSL) for the benefit of Colorado's Powerball annuity prize winners. The winnings are invested by MUSL in bond funds with staggered maturities that correspond with the annual payments required under the terms of the annuity. Under an agreement with MUSL, the Colorado Lottery is responsible for making payments to the Colorado winners.

OTHER

This fund primarily accounts for receipts collected from racetracks and simulcast facilities for distribution to horse breeders and associations who participate in state-regulated parimutuel horse racing.

AGENCY FUNDS

These funds are held in custody for others. Major items include litigation settlement escrow accounts; contractor's performance escrow accounts; sales taxes collected for cities and counties; deposits held to ensure land restoration by mining and oil exploration companies; amounts held for the trustee related to the most recent issuance of Certificates of Participation for Higher Education Institutions, Building Excellent Schools Today (BEST), the Ralph L. Carr Justice Complex, and the Colorado History Center; the Bridge Enterprise program; and assets invested for the Colorado Water Resources and Power Development Authority (a discretely presented component unit).

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
PRIVATE PURPOSE TRUST FUNDS  
JUNE 30, 2011**

(DOLLARS IN THOUSANDS)

	TREASURER'S	UNCLAIMED PROPERTY	COLLEGE SAVINGS PLAN
<b>ASSETS:</b>			
Current Assets:			
Cash and Pooled Cash	\$ 3,512	\$ 92,712	\$ 9,860
Other Receivables, net	7	-	6,946
Due From Other Funds	-	-	4,766
Noncurrent Assets:			
Investments:			
Government Securities	-	-	2,534
Repurchase Agreements	-	-	748
Mutual Funds	-	-	4,015,280
Other Investments	-	-	38,698
<b>TOTAL ASSETS</b>	<b>3,519</b>	<b>92,712</b>	<b>4,078,832</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	-	-	7,386
Deferred Revenue	-	-	1,737
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	-	2,919
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>12,042</b>
<b>NET ASSETS:</b>			
Held in Trust for:			
Individuals, Organizations, and Other Entities	3,519	92,712	4,066,790
<b>TOTAL NET ASSETS</b>	<b>\$ 3,519</b>	<b>\$ 92,712</b>	<b>\$ 4,066,790</b>

COLLEGE OPPORTUNITY FUND	MULTISTATE LOTTERY WINNERS	OTHER	TOTALS
\$ -	\$ -	\$ 6,393	\$ 112,477
-	-	2,562	9,515
-	-	-	4,766
-	10,288	589	13,411
-	-	-	748
-	-	-	4,015,280
-	-	-	38,698
-	10,288	9,544	4,194,895
-	-	761	8,147
-	-	7,454	9,191
-	-	-	2,919
-	-	8,215	20,257
-	10,288	1,329	4,174,638
\$ -	\$ 10,288	\$ 1,329	\$ 4,174,638

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PRIVATE PURPOSE TRUST FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

(DOLLARS IN THOUSANDS)

	TREASURER'S	UNCLAIMED PROPERTY	COLLEGE SAVINGS PLAN
ADDITIONS:			
Additions By Participants	\$ -	\$ -	\$ 539,436
Investment Income/(Loss)	31	1,056	614,031
Unclaimed Property Receipts	-	24,939	-
Other Additions	608	-	684
<b>TOTAL ADDITIONS</b>	<b>639</b>	<b>25,995</b>	<b>1,154,151</b>
DEDUCTIONS:			
Distributions to Participants	-	-	-
Payments in Accordance with Trust Agreements	213	23,027	389,095
Transfers-Out	-	-	-
<b>TOTAL DEDUCTIONS</b>	<b>213</b>	<b>23,027</b>	<b>389,095</b>
CHANGE IN NET ASSETS	426	2,968	765,056
NET ASSETS - FISCAL YEAR BEGINNING	3,093	89,744	3,301,734
<b>NET ASSETS - FISCAL YEAR ENDING</b>	<b>\$ 3,519</b>	<b>\$ 92,712</b>	<b>\$ 4,066,790</b>

COLLEGE OPPORTUNITY FUND	MULTISTATE LOTTERY WINNERS	OTHER	TOTALS
\$ 266,934	\$ -	\$ 5,960	\$ 812,330
-	10	102	615,230
-	-	-	24,939
-	-	1,575	2,867
<u>266,934</u>	<u>10</u>	<u>7,637</u>	<u>1,455,366</u>
266,934	401	-	267,335
-	-	7,450	419,785
-	-	92	92
<u>266,934</u>	<u>401</u>	<u>7,542</u>	<u>687,212</u>
-	(391)	95	768,154
-	10,679	1,234	3,406,484
<u>\$ -</u>	<u>\$ 10,288</u>	<u>\$ 1,329</u>	<u>\$ 4,174,638</u>

**COMBINING STATEMENT OF CHANGES  
IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**DEPARTMENT OF REVENUE AGENCY FUNDS**

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
<b>ASSETS:</b>				
Cash and Pooled Cash	\$ 92,707	\$ 2,227,341	\$ 2,224,728	\$ 95,320
Taxes Receivable, net	135,716	27,319	35,224	127,811
<b>TOTAL ASSETS</b>	<b>\$ 228,423</b>	<b>\$ 2,254,660</b>	<b>\$ 2,259,952</b>	<b>\$ 223,131</b>
<b>LIABILITIES:</b>				
Tax Refunds Payable	\$ 5,524	\$ 1,793	\$ 2,903	\$ 4,414
Accounts Payable and Accrued Liabilities	-	5	5	-
Due To Other Governments	215,512	2,654,222	2,659,812	209,922
Claims and Judgments Payable	241	3,112	3,224	129
Other Long-Term Liabilities	7,146	1,609	89	8,666
<b>TOTAL LIABILITIES</b>	<b>\$ 228,423</b>	<b>\$ 2,660,741</b>	<b>\$ 2,666,033</b>	<b>\$ 223,131</b>

**OTHER AGENCY FUNDS**

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
<b>ASSETS:</b>				
Cash and Pooled Cash	\$ 91,406	\$ 194,110	\$ 189,575	\$ 95,941
Taxes Receivable, net	4,189	1,357	877	4,669
Other Receivables, net	514	2,306	2,441	379
Due From Other Funds	-	-	-	-
Inventories	3	54	51	6
Other Long-Term Assets	19,384	1,835	2,051	19,168
<b>TOTAL ASSETS</b>	<b>\$ 115,496</b>	<b>\$ 199,662</b>	<b>\$ 194,995</b>	<b>\$ 120,163</b>
<b>LIABILITIES:</b>				
Tax Refunds Payable	\$ 350	\$ -	\$ 271	\$ 79
Accounts Payable and Accrued Liabilities	2,040	16,333	17,235	1,138
Due To Other Governments	6,654	96,480	95,484	7,650
Due To Other Funds	47	18,051	18,059	39
Deferred Revenue	-	203	203	-
Claims and Judgments Payable	381	94	88	387
Notes, Bonds, and COPs Payable	-	116	116	-
Other Current Liabilities	101,634	89,519	83,427	107,726
Deposits Held In Custody For Others	3,690	933	2,196	2,427
Other Long-Term Liabilities	700	17	-	717
<b>TOTAL LIABILITIES</b>	<b>\$ 115,496</b>	<b>\$ 221,746</b>	<b>\$ 217,079</b>	<b>\$ 120,163</b>

**DEPARTMENT OF TREASURY AGENCY FUNDS**

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
<b>ASSETS:</b>				
Cash and Pooled Cash	\$ 655,432	\$ 776,042	\$ 449,064	\$ 982,410
Due From Other Funds	15,039	12,144	15,039	12,144
<b>TOTAL ASSETS</b>	<b>\$ 670,471</b>	<b>\$ 788,186</b>	<b>\$ 464,103</b>	<b>\$ 994,554</b>
<b>LIABILITIES:</b>				
Accounts Payable and Accrued Liabilities	\$ 1	\$ 159	\$ 155	\$ 5
Other Current Liabilities	622,874	786,878	453,228	956,524
Deposits Held In Custody For Others	47,596	4,149	13,720	38,025
<b>TOTAL LIABILITIES</b>	<b>\$ 670,471</b>	<b>\$ 791,186</b>	<b>\$ 467,103</b>	<b>\$ 994,554</b>

**TOTALS - ALL AGENCY FUNDS**

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
<b>ASSETS:</b>				
Cash and Pooled Cash	\$ 839,545	\$ 3,197,493	\$ 2,863,367	\$ 1,173,671
Taxes Receivable, net	139,905	28,676	36,101	132,480
Other Receivables, net	514	2,306	2,441	379
Due From Other Funds	15,039	12,144	15,039	12,144
Inventories	3	54	51	6
Other Long-Term Assets	19,384	1,835	2,051	19,168
<b>TOTAL ASSETS</b>	<b>\$ 1,014,390</b>	<b>\$ 3,242,508</b>	<b>\$ 2,919,050</b>	<b>\$ 1,337,848</b>
<b>LIABILITIES:</b>				
Tax Refunds Payable	\$ 5,874	\$ 1,793	\$ 3,174	\$ 4,493
Accounts Payable and Accrued Liabilities	2,041	16,497	17,395	1,143
Due To Other Governments	222,166	2,750,702	2,755,296	217,572
Due To Other Funds	47	18,051	18,059	39
Deferred Revenue	-	203	203	-
Claims and Judgments Payable	622	3,206	3,312	516
Notes, Bonds, and COPs Payable	-	116	116	-
Other Current Liabilities	724,508	876,397	536,655	1,064,250
Deposits Held In Custody For Others	51,286	5,082	15,916	40,452
Other Long-Term Liabilities	7,846	1,626	89	9,383
<b>TOTAL LIABILITIES</b>	<b>\$ 1,014,390</b>	<b>\$ 3,673,673</b>	<b>\$ 3,350,215</b>	<b>\$ 1,337,848</b>



**COMPONENT UNITS**

The following statements present the Other Component Units (Nonmajor) aggregated in the combined component unit statements beginning on page 66. Descriptions of each of the nonmajor component units can be found in Note 39 on page 149.

**COMBINING STATEMENT OF NET ASSETS  
OTHER COMPONENT UNITS (NONMAJOR)  
JUNE 30, 2011**

(DOLLARS IN THOUSANDS)	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COVER COLORADO	VENTURE CAPITAL AUTHORITY
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and Pooled Cash	\$ 2,262	\$ 9,291	\$ 6,725
Investments	-	72,810	-
Contributions Receivable, net	-	-	4,150
Other Receivables, net	73	1,604	31
Due From Other Governments	-	-	-
Prepays, Advances, and Deferred Charges	6	-	-
Other Current Assets	-	-	-
<b>Total Current Assets</b>	<b>2,341</b>	<b>83,705</b>	<b>10,906</b>
<b>Noncurrent Assets:</b>			
Restricted Cash and Pooled Cash	-	-	-
Investments	-	-	24,538
Contributions Receivable, net	-	-	-
Other Long-Term Assets	624	-	12,450
Depreciable Capital Assets and Infrastructure, net	122,767	11	-
Land and Nondepreciable Infrastructure	20,256	-	-
<b>Total Noncurrent Assets</b>	<b>143,647</b>	<b>11</b>	<b>36,988</b>
<b>TOTAL ASSETS</b>	<b>145,988</b>	<b>83,716</b>	<b>47,894</b>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Accounts Payable and Accrued Liabilities	67	118	-
Deferred Revenue	-	4,953	4,150
Claims and Judgments Payable	-	26,910	-
Notes, Bonds, and COPs Payable	291	-	-
Other Current Liabilities	89	-	-
<b>Total Current Liabilities</b>	<b>447</b>	<b>31,981</b>	<b>4,150</b>
<b>Noncurrent Liabilities:</b>			
Deposits Held In Custody For Others	-	-	-
Notes, Bonds, and COPs Payable	627	-	-
Other Long-Term Liabilities	12	-	12,450
<b>Total Noncurrent Liabilities</b>	<b>639</b>	<b>-</b>	<b>12,450</b>
<b>TOTAL LIABILITIES</b>	<b>1,086</b>	<b>31,981</b>	<b>16,600</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt	142,066	11	-
<b>Restricted for:</b>			
Emergencies	24	-	-
Expendable	-	-	-
Other Purposes	-	51,724	-
Unrestricted	2,812	-	31,294
<b>TOTAL NET ASSETS</b>	<b>\$ 144,902</b>	<b>\$ 51,735</b>	<b>\$ 31,294</b>

RENEWABLE ENERGY AUTHORITY	HIGHER EDUCATION COMPETITIVE RESEARCH AUTHORITY	STATEWIDE INTERNET PORTAL AUTHORITY	HLC @ METRO	UNIVERSITY OF COLORADO REAL ESTATE FOUNDATION	TOTAL
\$ 10	\$ 1,687	\$ 1,072	\$ 44,110	\$ 4,522	\$ 69,679
-	-	-	-	-	72,810
-	-	-	-	521	4,671
2,000	-	453	-	219	4,380
-	-	-	403	-	403
-	-	27	-	61	94
-	-	-	-	435	435
2,010	1,687	1,552	44,513	5,758	152,472
-	-	-	-	3,861	3,861
1,416	-	-	-	6,136	32,090
-	-	-	-	910	910
-	-	-	1,783	6,634	21,491
-	-	11	-	46,352	169,141
-	-	-	14,112	14,675	49,043
1,416	-	11	15,895	78,568	276,536
3,426	1,687	1,563	60,408	84,326	429,008
-	-	415	6,425	760	7,785
-	-	-	-	772	9,875
-	-	-	-	-	26,910
-	-	-	-	217	508
-	-	-	170	-	259
-	-	415	6,595	1,749	45,337
-	-	-	-	44	44
-	-	-	54,640	68,673	123,940
-	-	-	-	-	12,462
-	-	-	54,640	68,717	136,446
-	-	415	61,235	70,466	181,783
-	-	11	-	(7,297)	134,791
-	-	-	-	-	24
-	-	-	-	4,981	4,981
3,426	1,686	-	-	-	56,836
-	1	1,137	(827)	16,176	50,593
\$ 3,426	\$ 1,687	\$ 1,148	\$ (827)	\$ 13,860	\$ 247,225

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS OTHER COMPONENT UNITS (NONMAJOR) FOR THE YEAR ENDED JUNE 30, 2011**

(DOLLARS IN THOUSANDS)

	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COVER COLORADO	VENTURE CAPITAL AUTHORITY
OPERATING REVENUES:			
Fees	\$ -	\$ 82,491	\$ -
Investment Income (Loss)	-	-	4,824
Rental Income	777	-	-
Gifts and Donations	-	-	-
Federal Grants and Contracts	-	1,319	-
Other	-	-	-
TOTAL OPERATING REVENUES	777	83,810	4,824
OPERATING EXPENSES:			
Operating and Travel	108	116,837	69
Depreciation and Amortization	4,055	11	-
TOTAL OPERATING EXPENSES	4,163	116,848	69
OPERATING INCOME (LOSS)	(3,386)	(33,038)	4,755
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income (Loss)	1	1,130	179
Gifts and Donations	-	5,000	4,243
Other Expenses	-	-	-
Other Revenues	482	29,142	-
TOTAL NONOPERATING REVENUES (EXPENSES)	483	35,272	4,422
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(2,903)	2,234	9,177
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Transfers-In	-	-	-
Transfers-Out	-	-	-
TOTAL CONTRIBUTIONS AND TRANSFERS	-	-	-
CHANGE IN NET ASSETS	(2,903)	2,234	9,177
NET ASSETS - FISCAL YEAR BEGINNING	147,805	49,501	22,117
NET ASSETS - FISCAL YEAR ENDING	\$ 144,902	\$ 51,735	\$ 31,294

RENEWABLE ENERGY AUTHORITY	HIGHER EDUCATION COMPETITIVE RESEARCH AUTHORITY	STATEWIDE INTERNET PORTAL AUTHORITY	HLC @ METRO	UNIVERSITY OF COLORADO REAL ESTATE FOUNDATION	TOTAL
\$ -	\$ -	\$ 2,693	\$ -	\$ 859	\$ 86,043
1	1	-	-	91	4,917
-	-	-	-	8,395	9,172
-	-	-	-	1,681	1,681
2,000	-	-	-	-	3,319
-	2,331	63	-	146	2,540
2,001	2,332	2,756	-	11,172	107,672
1,567	1,204	2,421	123	8,993	131,322
-	-	27	157	2,450	6,700
1,567	1,204	2,448	280	11,443	138,022
434	1,128	308	(280)	(271)	(30,350)
-	-	-	911	-	2,221
-	-	-	-	-	9,243
-	-	-	(2,177)	(872)	(3,049)
-	-	-	719	-	30,343
-	-	-	(547)	(872)	38,758
434	1,128	308	(827)	(1,143)	8,408
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
434	1,128	308	(827)	(1,143)	8,408
2,992	559	840	-	15,003	238,817
\$ 3,426	\$ 1,687	\$ 1,148	\$ (827)	\$ 13,860	\$ 247,225



**CAPITAL ASSETS**

The following schedule presents the capital assets net of accumulated depreciation used in governmental activities by function and by department. The schedule includes the capital assets of the Internal Service Funds because those funds primarily sell to governmental activities. This treatment matches the presentation of the capital assets on the government-wide *Statement of Net Assets*. Except for the Internal Service Fund capital assets, the assets on this schedule are generally not reported on the fund-level financial statements.

**SCHEDULE OF CAPITAL ASSETS  
USED IN GOVERNMENTAL ACTIVITIES  
INCLUDING INTERNAL SERVICE FUNDS  
BY FUNCTION AND DEPARTMENT  
JUNE 30, 2011**

(DOLLARS IN THOUSANDS)

	LAND	LAND AND LEASEHOLD IMPROVEMENTS	BUILDINGS	LIBRARY BOOKS AND COLLECTIONS
<b>GENERAL GOVERNMENT</b>				
Governor's Office	\$ -	\$ 56	\$ -	\$ -
Legislature	-	4	-	-
Military Affairs	3,155	1,614	31,165	-
Personnel & Administration	5,739	2,404	74,333	-
Revenue	-	1,608	1,878	-
<b>Subtotal</b>	<b>8,894</b>	<b>5,686</b>	<b>107,376</b>	<b>-</b>
<b>BUSINESS, COMMUNITY &amp; CONSUMER AFFAIRS</b>				
Agriculture	102	-	1,852	-
<sup>1</sup> GOV, GEO, OEDIT	-	-	-	48
Labor and Employment	543	242	7,031	-
Local Affairs	-	87	1,247	-
Regulatory Agencies	-	-	-	-
Revenue	536	-	1,030	-
State	-	-	-	-
<b>Subtotal</b>	<b>1,181</b>	<b>329</b>	<b>11,160</b>	<b>48</b>
<b>EDUCATION</b>				
Education	152	60	10,180	1,549
Higher Education	1,842	1,095	4,675	8,929
<b>Subtotal</b>	<b>1,994</b>	<b>1,155</b>	<b>14,855</b>	<b>10,478</b>
<b>HEALTH AND REHABILITATION</b>				
Public Health and Environment	188	10	5,692	-
Human Services	3,068	4,198	92,990	-
<b>Subtotal</b>	<b>3,256</b>	<b>4,208</b>	<b>98,682</b>	<b>-</b>
<b>JUSTICE</b>				
Corrections	3,872	3,806	633,092	-
DHS, Division of Youth Services	1,675	634	95,742	-
Judicial	1,605	279	-	628
Law	-	-	-	-
Public Safety	1,399	335	21,621	-
<b>Subtotal</b>	<b>8,551</b>	<b>5,054</b>	<b>750,455</b>	<b>628</b>
<b>NATURAL RESOURCES</b>				
Natural Resources	104,433	35,987	33,321	-
<b>SOCIAL ASSISTANCE</b>				
Human Services	-	464	2,753	-
Military Affairs	36	1,863	2,211	-
Health Care Policy and Financing	-	-	-	-
<b>Subtotal</b>	<b>36</b>	<b>2,327</b>	<b>4,964</b>	<b>-</b>
<b>TRANSPORTATION</b>				
Transportation	15,295	162	100,914	-
<b>TOTAL CAPITAL ASSETS</b>	<b>\$ 143,640</b>	<b>\$ 54,908</b>	<b>\$ 1,121,727</b>	<b>\$ 11,154</b>

<sup>1</sup>Governor's Office, Governor's Energy Office, and the Office of Economic Development and International Trade

VEHICLES AND EQUIPMENT	SOFTWARE	OTHER CAPITAL ASSETS	CONSTRUCTION IN PROGRESS	INFRASTRUCTURE	TOTALS
\$ 24,526	\$ 3,953	\$ 420	\$ -	\$ -	\$ 28,955
429	106	-	-	-	539
519	(14)	-	28,371	-	64,810
49,177	85	-	2,087	-	133,825
2,748	19,655	-	4,086	-	29,975
77,399	23,785	420	34,544	-	258,104
1,588	69	-	478	-	4,089
75	-	-	-	-	123
1,865	1,560	1,989	4,597	-	17,827
238	276	-	-	-	1,848
137	72	-	-	-	209
45	-	-	-	-	1,611
924	1,126	-	-	-	2,050
4,872	3,103	1,989	5,075	-	27,757
1,086	1,558	-	125,793	-	140,378
1,642	8	-	79,130	56	97,377
2,728	1,566	-	204,923	56	237,755
3,493	1,316	3,882	1,118	-	15,699
2,094	-	61	7,525	-	109,936
5,587	1,316	3,943	8,643	-	125,635
10,529	674	727	4,133	-	656,833
406	-	-	507	-	98,964
4,132	565	798	93,752	-	101,759
184	-	-	-	-	184
6,733	7,418	124	671	-	38,301
21,984	8,657	1,649	99,063	-	896,041
6,082	88	7,049	16,568	31,795	235,323
2,527	64,359	-	19,688	-	89,791
7	-	-	-	-	4,117
30	11	-	-	-	41
2,564	64,370	-	19,688	-	93,949
123,571	7,195	-	349,778	8,640,761	9,237,676
\$ 244,787	\$ 110,080	\$ 15,050	\$ 738,282	\$ 8,672,612	\$ 11,112,240



**OTHER FUNDS DETAIL**

In the combined and combining statements several fund categories show a column titled "Other". The schedule on the following pages provide a summary of assets, liabilities, and net assets of the individually significant funds that comprise the columns titled "Other". Most of the funds shown in the schedule are Special Revenue Funds that are statutorily authorized.

**COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET ASSETS FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, AND SPECIAL REVENUE FUNDS JUNE 30, 2011**

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
<b>OTHER PERMANENT FUNDS</b>				
Wildlife for Future Generations (Nonexpendable)	33-1-112(7)	6,107	-	6,107
Wildlife for Future Generations (Expendable)	33-1-112	1,447	7	1,440
Other Permanent-Nonexpendable	Various	755	-	755
Veterans Monument Preservation	24-80-1401	70	3	67
Hall Historical Marker-Nonexpendable	24-80-209	7	-	7
<b>Total Other Permanent Funds</b>		<b>\$ 8,386</b>	<b>\$ 10</b>	<b>\$ 8,376</b>
<b>OTHER PRIVATE PURPOSE TRUST FUNDS</b>				
Supplemental Purse & Breeders Awards	12-60-704	589	-	589
Early Intervention Services	27-10.5-706	8,513	8,191	322
Brand Estray Fund	35-41-102	219	1	218
Americans with Disabilities Act Contractor Settlement	24-34-301	155	-	155
Colorado Combined Campaign Administration	Restricted	68	23	45
<b>Total Other Private Purpose Funds</b>		<b>\$ 9,544</b>	<b>\$ 8,215</b>	<b>\$ 1,329</b>
<b>OTHER ENTERPRISE FUNDS</b>				
Capitol Parking Fund	None	15,303	6,921	8,382
Grounds Cash Fund	26-1-133.5(2)	4,060	89	3,971
Brand Inspection Fund	35-41-102	3,597	1,738	1,859
Business Enterprise Program	26-8.5-107	798	133	665
Enterprise Services	24-80-209	383	85	298
Clean Screen Authority	42-3-304(19)	637	522	115
Work Therapy	None	76	20	56
Other Enterprise Funds	Various	24	-	24
Conference & Training	None	13	-	13
<b>Total Other Enterprise Funds</b>		<b>\$ 24,891</b>	<b>\$ 9,508</b>	<b>\$ 15,383</b>
<b>OTHER SPECIAL PURPOSE GENERAL FUNDS</b>				
School Capital Construction Assistance-COPs	22-43.7-104	358,972	5,603	353,369
School Capital Construction Assistance	22-43.7-104	40,653	6,938	33,715
Department of Natural Resources Lottery Distribution	33-60-103(1)	27,012	1,626	25,386
Economic Development Fund	24-46-105	5,492	51	5,441
Old Age Pension Stabilization	26-2-116	5,000	-	5,000
Ballot Information Publication & District Fund	1-40-124.5	3,575	-	3,575
State Supplemental Security Income Stabilization	26-2-210(1)	1,523	-	1,523
Persistent Drunk Driver	42-3-130.5	1,684	393	1,291
Housing Development Grant Fund	24-32-721	1,372	113	1,259
Legislative Department Cash Fund	2-2-1601(1)	1,067	37	1,030
Charter School Institute Fund	22-30.5-506	1,169	620	549
Diseased Livestock Fund	35-50-140.5	469	-	469
Charter School Capital Construction Assistance	22-30.5-515	452	-	452
Colorado Family Support Loan	27-10.5-502	405	-	405
Legislative Expenses Fund	2-3-1002(1)	385	-	385
Older Coloradans Cash Fund	26-11-205.5	841	546	295
Start Smart Nutrition Program	22-82.7-105	332	42	290
Advance Technology Fund	25-16.5-105	550	264	286
Conservation Trust Fund	24-35-210(10)	10,532	10,256	276
Drug Offender Treatment Fund	18-19-103	237	-	237
Controlled Maintenance Trust-Nonexpendable	24-75-302.5	226	-	226
Real Estate Proceeds	28-3-106	211	1	210
Highway Crossing	43-4-201	173	-	173
Colorado Heritage Communities Fund	24-32-3207	177	18	159
Child Protection Ombudsman Program	19-3.3-107(1)	173	60	113
Colorado National Guard Tuition Fund	23-5-111.4	152	88	64

(Continued)

**COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET ASSETS FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, AND SPECIAL REVENUE FUNDS JUNE 30, 2011**

(Dollars in Thousands)

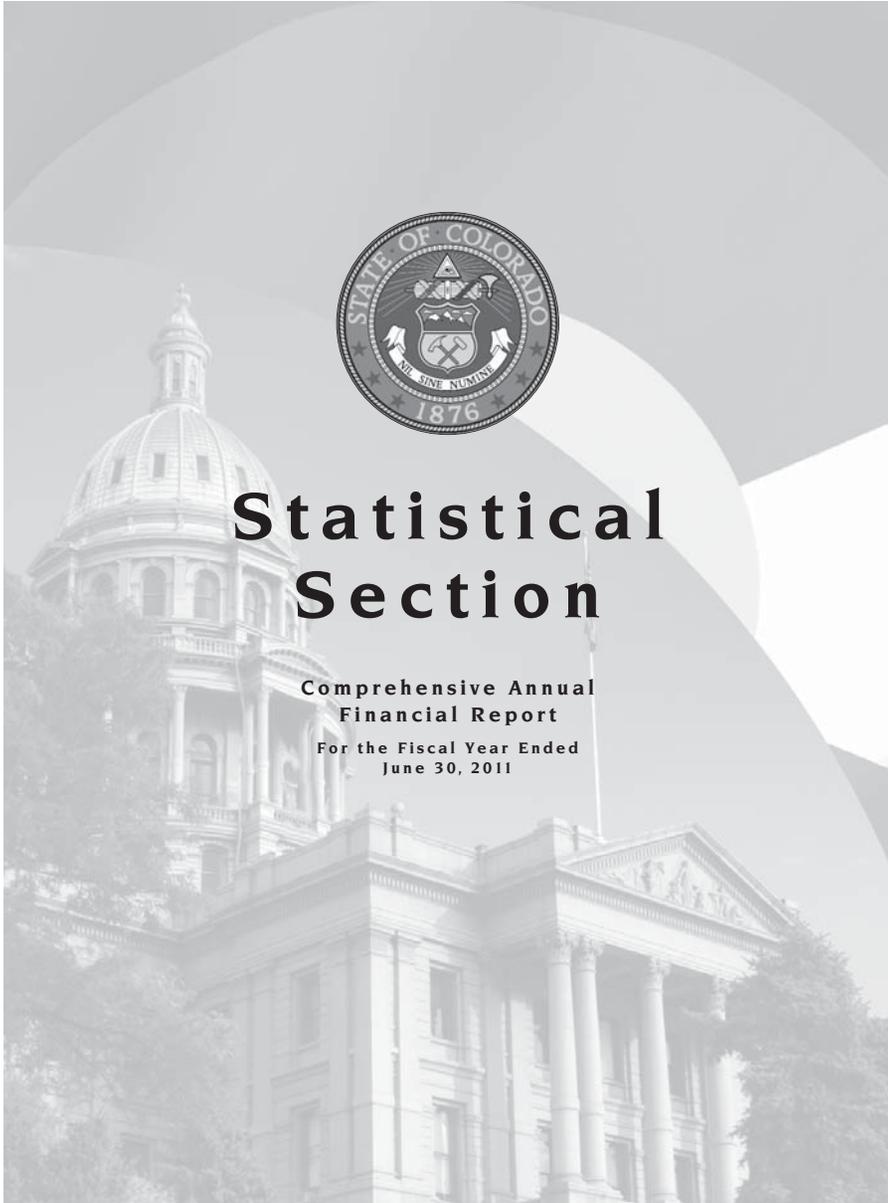
FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
Colorado Health Care Services	25.5-9-112	57	-	57
Youth Advisory Council	2-2-1306	1	-	1
Prepaid Wireless Trust Cash Fund	29-11-102.5	1	1	-
School District Tax Revenue Anticipation Notes Repayment	29-15-112(4)	7	7	-
COFRS Warehouse Inventory	NONE	642	642	-
		<u>\$ 463,542</u>	<u>\$ 27,306</u>	<u>\$ 436,236</u>
<b>OTHER SPECIAL REVENUE FUNDS</b>				
Aviation Fund	43-10-109	34,190	1,137	33,053
Justice Center Cash Fund	13-32-101(7)	24,122	-	24,122
Judicial Stabilization Cash Fund	13-32-101	18,447	-	18,447
Gear Up Scholarship Trust Fund	Restricted	17,902	-	17,902
Supreme Court Committee	Court Rule 227	17,354	4,757	12,597
Victims and Witnesses Assistance and Law Enforcement	24-4.2-104	11,363	32	11,331
Fed Tax Relief Act - 2003	Restricted	9,286	192	9,094
Victims Compensation	24-4.1-117	8,392	15	8,377
Consumer Protection Custodial Funds	6-1-103	7,632	53	7,579
Offender Services	16-11-214	7,143	-	7,143
Secretary Of State Fees	24-21-104	7,967	1,737	6,230
Auto Theft Prevention Cash Fund	43-5-112(4a)	6,924	801	6,123
Help America Vote Fund	HAVA 2002	5,711	253	5,458
Creative Industries Cash Fund	24-48.5-301	4,725	91	4,634
Division Of Registrations Cash Fund	24-34-105	17,147	12,515	4,632
Medical Marijuana License Fund	12-43.3-501	5,803	1,861	3,942
Other Expendable Trusts	Various	22,472	18,625	3,847
Conveyance Safety Fund	9-5.5-111(2)	3,811	-	3,811
Electronic Procurement Program	24-102-202.5	2,986	5	2,981
Travel and Tourism Additional	None	2,468	120	2,348
Housing Rehabilitation Revolving Loans	29-4-728	2,296	-	2,296
Court Security Cash Fund	13-1-204(1)	3,002	748	2,254
Public School Construction & Inspection	24-33.5-1207	2,066	75	1,991
Motor Carrier	40-2-110.5	2,157	180	1,977
Patient Benefit	None	1,946	2	1,944
Victims Assistance	24-33.5-506	2,121	229	1,892
CBI Identification Unit	24-33.5-426	2,264	431	1,833
Fixed Utilities	40-2-114	2,631	809	1,822
Operating Vouchers	None	4,416	2,709	1,707
Texaco Oil Overcharge Fund	None	1,691	-	1,691
HUD Section 8 Vouchers Family Unification Program	29-4-708(k)	1,689	10	1,679
Transportation Renovation	43-1-210 6(b)	1,665	-	1,665
Inspection & Consumer Service Cash Fund	35-1-106.5	2,494	933	1,561
Plant Health, Pest Control, Environmental Protection	35-1-106.3(1)	3,176	1,776	1,400
Criminal Alien Assistance Cash	17-1-107.5	1,394	-	1,394
Law Examiners Board Fund Balance	Court Rule 201	1,386	-	1,386
Violent Offender Identification Fund	24-33.5-415	1,556	186	1,370
Process & End Users Waste Tire	25-17-202.5	1,580	276	1,304
Donations	Various	11,128	9,848	1,280
Disabled Telephone Users Fund	40-17-104	1,454	191	1,263
HUD Section 8 Vouchers-Administration	29-4-708(k)	1,243	51	1,192
Judicial Information Technology Cash Fund	13-32-114	1,162	-	1,162
Traumatic Brain Injury Fund	26-1-210(1)	1,344	231	1,113
Collaborative Management Incentive	24-1.9-104(1)	1,232	140	1,092
Mortgage Broker Registration	12-61-908(2)	1,731	659	1,072
Section 8 Pre Federal Fiscal Year 04	None	1,057	-	1,057
Public School Transportation	22-51-103(1)	1,352	376	976

(Continued)

**COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET ASSETS FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, AND SPECIAL REVENUE FUNDS JUNE 30, 2011**

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
Alcohol/Drug Driving Safety	42-4-1301.3	914	-	914
Liquor Law Enforcement	24-35-401	1,000	141	859
Library Trust Fund	24-90-105	841	16	825
Continuing Legal Education Fund Balance	Court Rule 260	802	-	802
Colorado Dealer License Board	12-6-123	971	195	776
Uniform Consumer Credit Code Custodial Funds	Restricted	755	39	716
Real Estate Cash Fund	12-61-111.5	3,998	3,305	693
Attorney's Fees And Costs	24-31-108(2)	690	-	690
Home Grant Revolving Loan Fund	None	8,987	8,305	682
Howard Fund	26-8-104(1)(c)	674	-	674
State Patrol Contraband	24-33.5-225	680	8	672
Police Officers Standards Training Board	24-31-303(2)	712	66	646
Judicial Performance Cash Fund	13-5.5-107	641	21	620
Drug Offender Surcharge Fund	18-19-103(4)	1,130	520	610
Historical Society Unrestricted	24-80-209	546	-	546
Domestic Abuse Program	39-22-802	711	180	531
Low Income Telephone Assist	40-3.4-108(2)	525	-	525
Uniform Consumer Credit Code	Various	598	90	508
Public Deposit Administration	11-10.5-112	797	304	493
Educator Licensure Cash Fund	22-60.5-112	607	116	491
Division Of Securities Cash Fund	Ex. Order 56-87	1,617	1,140	477
Building Regulation Fund	24-32-3309	471	34	437
Racing Cash Fund	12-60-205	540	112	428
Exxon Oil Overcharge Funds	None	420	-	420
Financial Services Cash Fund	11-40-106(2)	668	250	418
Waste Tire Fire Prevent Fund	25-17-202.8	383	-	383
Property Tax Exemption Fund	39-2-117(3)	440	58	382
Commercial Vehicle Enterprise	42-1-225(1)	362	-	362
HUD Section 8 Veteran's Affairs Supportive Housing	29-4-708(k)	340	-	340
Agricultural Products Inspection	35-23-114(3)	639	330	309
Patient Benefit Fund	26-12-108(2)	279	-	279
Public Safety Inspection	8-1-151	279	-	279
Food Distribution Program Service	26-1-121(4b)	297	27	270
Western Slope Military Veteran's Cemetery	28-5-708	271	11	260
Diamond Shamrock Settlement	None	245	-	245
Vickers Oil Overcharge Funds	Executive Order 56-87	222	-	222
Notary Administration Cash Fund	12-55-102.5	233	18	215
133 Funds with Net Assets Below \$200,000		24,797	18,720	6,077
Total Other Special Revenue Funds		<u>\$ 356,160</u>	<u>\$ 96,060</u>	<u>\$ 260,100</u>



**STATISTICAL SECTION**

This section of the State of Colorado's Comprehensive Annual Financial Report presents detailed current and historical information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

**FINANCIAL TRENDS**

These schedules contain trend information to help the reader understand how the State's financial performance and fiscal health have changed over time at both the entity wide and fund-level perspectives.

**REVENUE CAPACITY**

These schedules contain information to help the reader assess the factors affecting the State's ability to generate and retain major revenue streams including income and sales taxes.

**DEBT CAPACITY**

These schedules present information to help the reader assess the sustainability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.

**DEMOGRAPHIC AND ECONOMIC INFORMATION**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

**OPERATING INFORMATION**

These schedules contain information about the State's operations and resources to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.

**GOVERNMENT-WIDE  
SCHEDULE OF NET ASSETS  
PRIMARY GOVERNMENT  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

	2010-11	2009-10	2008-09	2007-08
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Cash and Pooled Cash	\$ 1,548,435	\$ 1,962,934	\$ 2,217,711	\$ 2,632,601
Investments	45,548	15,224	1,498	565
Taxes Receivable, net	830,730	857,246	920,086	946,077
Other Receivables, net	147,768	158,060	182,540	188,347
Due From Other Governments	486,655	516,248	475,997	355,519
Internal Balances	18,620	14,153	14,617	14,545
Due From Component Units	62	84	66	63
Inventories	19,837	16,468	16,183	16,703
Prepays, Advances, and Deferred Charges	56,543	38,591	33,244	23,790
<b>Total Current Assets</b>	<b>3,154,198</b>	<b>3,579,008</b>	<b>3,861,942</b>	<b>4,178,210</b>
<b>Noncurrent Assets:</b>				
<b>Restricted Assets:</b>				
Restricted Cash and Pooled Cash	1,635,476	1,572,925	1,813,365	2,061,543
Restricted Investments	1,097,797	687,314	694,311	620,325
Restricted Receivables	173,347	195,753	184,120	187,018
Investments	52,343	529,059	98,815	96,743
Other Long-Term Assets	761,498	644,867	600,020	442,911
Depreciable Capital Assets and Infrastructure, net	9,331,295	9,689,916	2,360,036	2,282,645
Land and Nondepreciable Infrastructure	1,780,945	1,637,224	10,480,438	10,291,250
<b>Total Noncurrent Assets</b>	<b>14,832,701</b>	<b>14,957,058</b>	<b>16,231,105</b>	<b>15,982,435</b>
<b>TOTAL ASSETS</b>	<b>17,986,899</b>	<b>18,536,066</b>	<b>20,093,047</b>	<b>20,160,645</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>				
	-	-	-	-
<b>LIABILITIES:</b>				
<b>Current Liabilities:</b>				
Tax Refunds Payable	625,145	664,781	633,722	561,117
Accounts Payable and Accrued Liabilities	785,496	857,550	779,008	837,311
TABOR Refund Liability (Note 8B)	706	706	706	706
Due To Other Governments	216,956	181,684	223,415	183,696
Due To Component Units	-	-	-	-
Deferred Revenue	111,506	128,404	150,632	97,174
Accrued Compensated Absences	9,741	10,287	8,930	9,776
Claims and Judgments Payable	44,641	44,181	36,936	37,775
Leases Payable	12,872	11,384	8,227	6,002
Notes, Bonds, and COPs Payable	145,165	642,445	637,066	574,150
Other Current Liabilities	13,748	20,432	9,818	11,794
<b>Total Current Liabilities</b>	<b>1,965,976</b>	<b>2,551,854</b>	<b>2,488,460</b>	<b>2,319,501</b>
<b>Noncurrent Liabilities:</b>				
Deposits Held In Custody For Others	14	13	16	16
Accrued Compensated Absences	137,139	138,224	140,675	128,760
Claims and Judgments Payable	340,003	347,394	358,371	335,636
Capital Lease Payable	94,716	85,746	83,586	54,029
Capital Lease Payable To Component Units	-	-	-	-
Derivative Instrument Liability	-	-	-	-
Notes, Bonds, and COPs Payable	1,621,749	1,554,964	1,146,960	1,274,720
Due to Component Units	-	-	-	-
Other Postemployment Benefits	-	-	-	-
Other Long-Term Liabilities	434,194	402,599	397,774	217,793
<b>Total Noncurrent Liabilities</b>	<b>2,627,815</b>	<b>2,528,940</b>	<b>2,127,382</b>	<b>2,010,954</b>
<b>TOTAL LIABILITIES</b>	<b>4,593,791</b>	<b>5,080,794</b>	<b>4,615,842</b>	<b>4,330,455</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>				
	-	-	-	-
<b>NET ASSETS:</b>				
<b>Invested in Capital Assets, Net of Related Debt</b>				
<b>Restricted for:</b>				
Construction and Highway Maintenance	1,160,789	1,198,849	1,220,524	1,350,485
Education	485,171	194,586	338,365	353,149
Unemployment Insurance	-	-	-	-
Debt Service	10,127	4,093	558	558
Emergencies	85,400	94,000	93,550	93,000
<b>Permanent Funds and Endowments:</b>				
Expendable	8,017	11,130	8,588	2,333
Nonexpendable	641,802	643,148	623,619	587,733
Other Purposes	315,082	138,826	197,918	231,532
Unrestricted	850,342	1,052,019	1,363,022	1,862,405
<b>TOTAL NET ASSETS</b>	<b>\$ 13,393,108</b>	<b>\$ 13,455,272</b>	<b>\$ 15,477,205</b>	<b>\$ 15,830,190</b>

**GOVERNMENTAL ACTIVITIES**

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
\$ 2,455,425	\$ 2,334,948	\$ 1,944,751	\$ 1,387,469	\$ 712,256	\$ 571,293
998	12,637	10,440	10,209	-	-
956,149	845,241	731,647	738,769	758,887	809,839
153,218	153,916	146,906	143,717	104,475	125,181
280,637	264,688	307,704	282,252	515,860	378,906
13,756	26,313	18,122	22,070	(98,203)	20,287
65	56	110	-	-	-
14,053	14,906	18,266	16,696	17,580	16,895
28,527	28,735	23,700	29,628	27,413	99,893
<b>3,902,828</b>	<b>3,681,440</b>	<b>3,201,646</b>	<b>2,630,810</b>	<b>2,038,268</b>	<b>2,022,294</b>
1,689,703	1,349,184	1,199,258	1,360,083	1,236,865	1,306,432
552,211	491,780	465,819	408,790	571,970	-
279,140	335,774	311,462	347,245	-	-
80,695	48,173	24,162	4,055	152,495	1,142,818
425,886	395,612	356,325	325,376	332,964	244,499
1,288,308	1,322,945	1,348,957	1,208,235	1,191,705	1,136,996
11,799,975	11,649,792	11,613,109	11,583,157	11,032,850	10,827,222
<b>16,115,918</b>	<b>15,593,260</b>	<b>15,319,092</b>	<b>15,236,941</b>	<b>14,518,929</b>	<b>14,659,967</b>
<b>20,018,746</b>	<b>19,274,700</b>	<b>18,520,738</b>	<b>17,867,751</b>	<b>16,557,197</b>	<b>16,682,261</b>
-	-	-	-	-	-
486,576	457,124	476,445	425,610	431,132	384,040
694,602	633,685	679,425	687,136	684,956	569,102
727	2,917	41,064	-	-	48,930
176,864	247,548	192,611	172,239	151,989	172,691
-	-	-	-	-	-
65,389	66,290	73,609	84,431	114,149	84,906
9,533	9,437	7,900	7,992	7,394	6,123
40,948	49,415	38,738	12,084	14,743	35,576
2,807	1,461	3,403	2,821	3,492	1,298
457,250	526,235	628,395	419,778	21,125	19,530
9,615	10,318	25,092	37,152	33,987	37,050
<b>1,944,311</b>	<b>2,004,430</b>	<b>2,166,682</b>	<b>1,849,243</b>	<b>1,462,967</b>	<b>1,359,236</b>
17	17	16	10	8	12
116,262	112,860	111,418	112,104	113,548	112,027
295,874	343,452	430,978	29,200	29,200	-
27,649	16,021	18,905	13,219	5,054	2,175
-	-	-	-	-	-
-	-	-	-	-	-
1,390,671	1,503,686	1,467,924	1,540,053	1,309,153	1,328,072
-	-	-	-	-	-
-	-	-	-	-	-
206,972	210,369	198,520	516,756	501,390	263,034
<b>2,037,445</b>	<b>2,186,405</b>	<b>2,227,761</b>	<b>2,211,342</b>	<b>1,958,353</b>	<b>1,705,320</b>
<b>3,981,756</b>	<b>4,190,835</b>	<b>4,394,443</b>	<b>4,060,585</b>	<b>3,421,320</b>	<b>3,064,556</b>
-	-	-	-	-	-
11,804,908	11,662,529	11,771,877	11,747,276	11,444,442	10,633,044
1,196,903	824,698	679,440	559,450	509,354	1,376,522
225,818	153,043	123,867	147,286	218,545	303,827
-	-	-	-	-	-
558	580	3,298	7,965	5,241	6,495
85,760	79,800	71,000	172,202	150,762	81,917
1,782	1,642	1,953	1,297	986	810
515,997	460,473	433,538	392,542	378,369	356,004
299,777	198,996	141,933	134,658	95,135	16,006
1,905,487	1,702,104	899,389	644,490	333,043	843,080
<b>\$ 16,036,990</b>	<b>\$ 15,083,865</b>	<b>\$ 14,126,295</b>	<b>\$ 13,807,166</b>	<b>\$ 13,135,877</b>	<b>\$ 13,617,705</b>

**GOVERNMENT-WIDE  
SCHEDULE OF NET ASSETS  
PRIMARY GOVERNMENT  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

	2010-11	2009-10	2008-09	2007-08
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Cash and Pooled Cash	\$ 1,306,800	\$ 1,176,181	\$ 1,220,190	\$ 1,555,782
Investments	273,605	253,270	386,948	272,804
Taxes Receivable, net	186,161	90,005	73,326	82,431
Other Receivables, net	302,042	282,053	245,768	239,790
Due From Other Governments	177,822	158,787	142,961	125,894
Internal Balances	(18,620)	(14,153)	(14,617)	(14,545)
Due From Component Units	19,736	14,474	12,630	16,348
Inventories	43,600	42,779	42,467	42,271
Prepays, Advances, and Deferred Charges	18,018	19,244	20,091	17,055
<b>Total Current Assets</b>	<b>2,309,164</b>	<b>2,022,640</b>	<b>2,129,764</b>	<b>2,337,830</b>
<b>Noncurrent Assets:</b>				
Restricted Assets:				
Restricted Cash and Pooled Cash	409,652	353,164	368,308	446,681
Restricted Investments	98,146	239,719	201,025	259,115
Restricted Receivables	24,980	239,041	1,916,974	1,716,722
Investments	1,623,569	1,206,671	1,154,901	1,006,382
Other Long-Term Assets	122,939	119,387	123,599	119,650
Depreciable Capital Assets and Infrastructure, net	4,662,346	3,912,771	3,594,383	3,464,979
Land and Nondepreciable Infrastructure	938,544	1,207,048	928,243	576,755
<b>Total Noncurrent Assets</b>	<b>7,880,176</b>	<b>7,277,801</b>	<b>8,287,433</b>	<b>7,592,284</b>
<b>TOTAL ASSETS</b>	<b>10,189,340</b>	<b>9,300,441</b>	<b>10,417,197</b>	<b>9,930,114</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>		<b>7,778</b>		
<b>LIABILITIES:</b>				
<b>Current Liabilities:</b>				
Tax Refunds Payable	-	-	-	-
Accounts Payable and Accrued Liabilities	556,294	596,926	506,318	467,741
TABOR Refund Liability (Note 8B)	-	-	-	-
Due To Other Governments	331,246	406,275	182,922	26,885
Due To Component Units	524	466	930	1,112
Deferred Revenue	234,662	232,371	207,551	190,528
Accrued Compensated Absences	14,579	13,035	12,753	12,745
Claims and Judgments Payable	-	-	-	7,398
Leases Payable	4,950	6,672	6,282	5,976
Notes, Bonds, and COPs Payable	79,106	100,329	85,566	75,567
Other Current Liabilities	141,484	126,232	241,129	208,542
<b>Total Current Liabilities</b>	<b>1,362,845</b>	<b>1,482,306</b>	<b>1,243,341</b>	<b>996,494</b>
<b>Noncurrent Liabilities:</b>				
Deposits Held In Custody For Others	-	-	-	-
Accrued Compensated Absences	205,621	196,295	185,420	166,402
Claims and Judgments Payable	35,373	29,461	27,541	28,482
Capital Lease Payable	43,466	76,702	83,206	83,113
Capital Lease Payable To Component Units	-	-	4,285	4,285
Derivative Instrument Liability	6,182	7,778	-	-
Notes, Bonds, and COPs Payable	3,117,100	2,682,987	3,917,559	3,466,484
Due to Component Units	2,374	2,501	723	1,233
Other Postemployment Benefits	105,876	47,259	31,689	15,775
Other Long-Term Liabilities	43,814	36,450	43,321	40,756
<b>Total Noncurrent Liabilities</b>	<b>3,559,806</b>	<b>3,079,433</b>	<b>4,293,744</b>	<b>3,806,530</b>
<b>TOTAL LIABILITIES</b>	<b>4,922,651</b>	<b>4,561,739</b>	<b>5,537,085</b>	<b>4,803,024</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>	<b>2,006</b>			
<b>NET ASSETS:</b>				
Invested in Capital Assets, Net of Related Debt	2,990,094	2,854,803	2,665,270	2,411,662
<b>Restricted for:</b>				
Construction and Highway Maintenance	-	-	-	-
Education	-	-	-	-
Unemployment Insurance	-	-	392,984	765,533
Debt Service	6,753	6,100	111,778	180,409
Emergencies	12,368	16,257	21,282	33,716
<b>Permanent Funds and Endowments:</b>				
Expendable	5,936	6,825	6,935	9,592
Nonexpendable	73,956	71,728	70,420	74,479
Other Purposes	657,292	630,890	582,006	491,492
Unrestricted	1,518,284	1,159,867	1,029,437	1,160,207
<b>TOTAL NET ASSETS</b>	<b>\$ 5,264,683</b>	<b>\$ 4,746,480</b>	<b>\$ 4,880,112</b>	<b>\$ 5,127,090</b>

**BUSINESS-TYPE ACTIVITIES**

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
\$ 1,430,836	\$ 1,188,953	\$ 872,618	\$ 678,233	\$ 754,879	\$ 1,193,338
326,087	328,466	670,346	182,572	-	-
81,745	105,973	103,598	92,485	46,597	36,237
219,488	209,497	206,946	180,707	219,048	884,919
126,391	99,040	95,170	86,355	98,017	74,061
(13,756)	(26,313)	(18,122)	(22,070)	98,203	(20,287)
15,334	11,141	9,294	5,406	-	-
38,000	35,747	34,797	33,065	33,861	35,315
15,751	13,148	13,723	18,396	19,138	22,441
<b>2,239,876</b>	<b>1,965,652</b>	<b>1,988,370</b>	<b>1,255,149</b>	<b>1,269,743</b>	<b>2,226,024</b>
149,811	187,895	160,283	121,764	114,642	40,136
555,310	424,826	453,876	243,390	114,292	140,074
1,408,588	1,173,312	1,015,134	889,108	-	-
972,922	887,302	225,329	577,619	888,232	663,412
112,693	108,606	119,359	99,358	832,622	74,237
2,851,692	2,718,135	2,719,778	2,623,814	2,259,846	1,899,066
835,182	561,525	403,037	371,552	520,085	651,292
<b>6,886,198</b>	<b>6,061,601</b>	<b>5,096,796</b>	<b>4,926,605</b>	<b>4,729,719</b>	<b>3,468,217</b>
<b>9,126,074</b>	<b>8,027,253</b>	<b>7,085,166</b>	<b>6,181,754</b>	<b>5,999,462</b>	<b>5,694,241</b>
-	-	-	-	-	-
-	-	-	-	-	-
413,788	380,194	350,347	334,136	332,990	188,839
-	-	-	-	-	-
38,501	30,749	38,472	37,120	26,570	45,626
273	1,067	1,607	703	-	-
183,805	171,411	145,432	131,496	138,313	138,382
12,578	14,284	14,103	9,719	10,582	8,526
11,717	7,430	8,233	-	-	-
4,950	4,851	6,039	5,537	5,283	3,840
62,998	83,271	85,672	80,127	60,105	97,064
126,574	94,214	107,228	107,611	92,272	89,335
<b>855,184</b>	<b>787,471</b>	<b>757,133</b>	<b>706,449</b>	<b>666,115</b>	<b>571,612</b>
-	-	-	-	-	-
153,320	136,837	131,883	128,635	124,853	121,127
28,220	48,396	20,019	-	-	-
63,671	55,873	84,101	80,994	80,636	43,382
-	-	-	-	-	-
-	-	-	-	-	-
3,100,764	2,488,738	2,062,837	1,578,762	1,546,903	1,199,426
-	-	-	-	-	-
-	-	-	-	-	-
54,097	53,138	52,022	70,174	76,251	144,027
<b>3,400,072</b>	<b>2,782,982</b>	<b>2,350,862</b>	<b>1,858,565</b>	<b>1,828,643</b>	<b>1,507,962</b>
<b>4,255,256</b>	<b>3,570,453</b>	<b>3,107,995</b>	<b>2,565,014</b>	<b>2,494,758</b>	<b>2,079,574</b>
-	-	-	-	-	-
2,256,929	2,256,602	2,238,068	2,195,837	2,142,940	2,045,202
-	-	-	-	-	-
-	-	-	-	-	-
675,574	548,780	321,725	200,311	322,423	653,690
125,656	105,348	122,290	103,602	2,048	2,295
37,472	29,883	27,247	39,277	32,881	38,813
5,313	4,757	16,483	17,449	17,746	47,015
97,821	82,698	76,460	49,659	46,851	49,200
411,112	364,310	303,714	297,765	189,466	198,696
1,260,941	1,064,422	871,184	712,840	750,349	579,756
<b>\$ 4,870,818</b>	<b>\$ 4,456,800</b>	<b>\$ 3,977,171</b>	<b>\$ 3,616,740</b>	<b>\$ 3,504,704</b>	<b>\$ 3,614,667</b>

**GOVERNMENT-WIDE  
SCHEDULE OF NET ASSETS  
PRIMARY GOVERNMENT  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

	2010-11	2009-10	2008-09	2007-08
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Cash and Pooled Cash	\$ 2,855,235	\$ 3,139,115	\$ 3,437,901	\$ 4,189,383
Investments	319,153	268,494	389,446	273,369
Taxes Receivable, net	1,016,891	947,251	993,412	1,028,508
Other Receivables, net	449,810	440,113	428,308	428,137
Due From Other Governments	664,477	675,035	618,958	481,413
Internal Balances	-	-	-	-
Due From Component Units	19,798	14,558	12,696	16,411
Inventories	63,437	59,247	58,650	58,974
Prepays, Advances, and Deferred Charges	74,561	97,835	93,335	40,845
<b>Total Current Assets</b>	<b>5,463,362</b>	<b>5,601,648</b>	<b>5,991,706</b>	<b>6,516,040</b>
<b>Noncurrent Assets:</b>				
Restricted Assets:				
Restricted Cash and Pooled Cash	2,045,128	1,926,089	2,181,673	2,509,224
Restricted Investments	1,195,943	927,033	895,336	879,440
Restricted Receivables	198,327	434,794	2,101,094	1,903,740
Investments	1,675,912	1,735,730	1,253,716	1,105,125
Other Long-Term Assets	884,437	764,254	723,619	562,561
Depreciable Capital Assets and Infrastructure, net	13,993,641	13,602,687	5,954,419	5,747,624
Land and Nondepreciable Infrastructure	2,719,489	2,844,272	11,408,681	10,866,005
<b>Total Noncurrent Assets</b>	<b>22,712,877</b>	<b>22,234,859</b>	<b>24,518,538</b>	<b>23,574,719</b>
<b>TOTAL ASSETS</b>	<b>28,176,239</b>	<b>27,836,507</b>	<b>30,510,244</b>	<b>30,090,759</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>	<b>-</b>	<b>7,778</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES:</b>				
<b>Current Liabilities:</b>				
Tax Refunds Payable	625,145	664,781	633,722	561,117
Accounts Payable and Accrued Liabilities	1,341,790	1,444,776	1,285,226	1,305,052
TABOR Refund Liability (Note 8B)	706	706	706	706
Due To Other Governments	548,202	587,959	406,337	210,581
Due To Component Units	524	466	930	1,112
Deferred Revenue	346,168	360,775	358,183	287,702
Accrued Compensated Absences	24,320	23,322	21,683	22,521
Claims and Judgments Payable	44,641	44,181	36,936	45,173
Leases Payable	17,822	18,056	14,509	11,978
Notes, Bonds, and COPs Payable	224,271	742,774	722,522	649,717
Other Current Liabilities	155,232	146,664	250,947	220,336
<b>Total Current Liabilities</b>	<b>3,328,821</b>	<b>4,034,160</b>	<b>3,731,801</b>	<b>3,315,995</b>
<b>Noncurrent Liabilities:</b>				
Deposits Held In Custody For Others	14	13	16	16
Accrued Compensated Absences	342,760	334,519	326,095	295,162
Claims and Judgments Payable	375,376	376,855	385,912	364,118
Capital Lease Payable	138,182	162,448	166,792	137,142
Capital Lease Payable To Component Units	-	-	4,285	4,285
Derivative Instrument Liability	6,182	7,778	-	-
Notes, Bonds, and COPs Payable	4,738,849	4,237,951	5,064,519	4,741,204
Due to Component Units	2,374	2,501	723	1,233
Other Postemployment Benefits	105,876	47,259	31,689	15,775
Other Long-Term Liabilities	478,008	439,049	441,095	258,549
<b>Total Noncurrent Liabilities</b>	<b>6,187,621</b>	<b>5,608,373</b>	<b>6,421,126</b>	<b>5,817,484</b>
<b>TOTAL LIABILITIES</b>	<b>9,516,442</b>	<b>9,642,533</b>	<b>10,152,927</b>	<b>9,133,479</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>	<b>2,006</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS:</b>				
Invested in Capital Assets, Net of Related Debt	12,826,472	12,973,424	14,296,331	13,760,657
Restricted for:				
Construction and Highway Maintenance	1,160,789	1,198,849	1,220,524	1,350,485
Education	485,171	194,586	338,365	353,149
Unemployment Insurance	-	-	392,984	765,533
Debt Service	16,880	10,193	112,236	180,967
Emergencies	97,768	110,257	114,832	126,716
Permanent Funds and Endowments:				
Expendable	13,953	17,955	15,523	11,925
Nonexpendable	715,758	714,886	699,039	662,212
Other Purposes	972,374	769,716	779,924	723,024
Unrestricted	2,368,626	2,211,886	2,392,459	3,022,612
<b>TOTAL NET ASSETS</b>	<b>\$ 18,657,791</b>	<b>\$ 18,201,752</b>	<b>\$ 20,357,317</b>	<b>\$ 20,957,280</b>

TOTAL PRIMARY GOVERNMENT					
2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
\$ 3,886,261	\$ 3,523,901	\$ 2,817,369	\$ 2,065,702	\$ 1,467,135	\$ 1,764,631
327,065	341,103	680,786	192,781	-	-
1,037,894	951,214	835,245	831,254	805,484	846,076
372,706	363,413	353,852	324,424	323,523	1,010,100
407,028	363,728	402,874	368,607	613,877	452,967
-	-	-	-	-	-
15,399	11,197	9,404	5,406	-	-
52,053	50,653	53,063	49,761	51,441	52,210
44,278	41,883	37,423	48,024	46,551	122,334
6,142,704	5,647,092	5,190,016	3,885,959	3,308,011	4,248,318
1,839,514	1,537,079	1,359,541	1,481,847	1,351,507	1,346,568
1,107,521	916,606	919,695	652,180	686,262	140,074
1,687,728	1,509,086	1,326,596	1,236,353	-	-
1,053,617	935,475	249,491	581,674	1,040,727	1,806,230
538,579	564,218	475,684	424,734	1,165,586	318,736
4,140,000	4,041,080	4,068,735	3,832,049	3,451,631	3,038,062
12,635,157	12,211,317	12,016,146	11,954,709	11,552,935	11,478,514
23,002,116	21,654,861	20,415,888	20,163,546	19,248,648	18,128,184
29,144,820	27,301,953	25,605,904	24,049,505	22,556,659	22,376,502
-	-	-	-	-	-
486,576	457,124	476,445	425,610	431,132	384,040
1,108,390	1,013,879	1,029,772	1,021,272	1,017,946	757,941
727	2,917	41,064	-	-	48,920
215,365	278,297	231,083	209,599	178,559	218,317
273	1,067	1,607	703	-	-
249,194	237,701	219,041	215,927	252,462	223,288
22,111	23,721	22,003	17,711	17,976	14,649
52,665	56,845	46,971	12,084	14,743	35,576
7,757	6,312	9,442	8,358	8,775	5,138
520,248	609,506	714,067	499,905	81,230	116,594
136,189	104,532	132,320	144,763	126,259	126,385
2,799,495	2,791,901	2,923,815	2,555,692	2,129,082	1,930,848
17	17	16	10	8	12
269,582	249,697	243,301	240,739	238,401	233,154
324,094	391,848	450,997	29,200	29,200	-
91,320	71,894	103,006	94,213	85,690	45,557
-	-	-	-	-	-
4,491,435	3,992,424	3,530,761	3,118,815	2,856,056	2,527,498
-	-	-	-	-	-
261,069	263,507	250,542	586,930	577,641	407,061
5,437,517	4,969,387	4,578,623	4,069,907	3,786,996	3,213,282
8,237,012	7,761,288	7,502,438	6,625,599	5,916,078	5,144,130
-	-	-	-	-	-
14,061,837	13,919,131	14,009,945	13,943,113	13,587,382	12,678,246
1,196,903	824,698	679,440	559,450	509,354	1,376,522
225,818	153,043	123,867	147,286	218,545	303,827
675,574	548,780	321,725	200,311	322,423	653,690
126,214	105,928	125,588	111,567	7,289	8,790
123,232	109,683	98,247	211,479	183,643	120,730
7,095	6,399	18,436	18,746	18,732	47,825
613,818	545,171	509,998	442,201	425,220	405,204
710,889	563,306	445,647	432,423	284,601	214,702
3,166,428	2,766,526	1,770,573	1,357,330	1,083,392	1,422,836
\$ 20,907,808	\$ 19,540,665	\$ 18,103,466	\$ 17,423,906	\$ 16,640,581	\$ 17,232,372

**GOVERNMENT-WIDE  
SCHEDULE OF CHANGES IN NET ASSETS  
PRIMARY GOVERNMENT  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

Functions/Programs	2010-11	2009-10	2008-09	RESTATED 2007-08
<b>PROGRAM REVENUES:</b>				
Charges for Services:				
Licenses and Permits	\$ 454,633	\$ 419,866	\$ 386,311	\$ 374,521
Service Fees	735,820	589,795	184,327	132,822
Education - Tuition, Fees, and Sales	-	-	-	53
Fines and Forfeits	200,432	218,892	203,259	155,692
Rents and Royalties	128,588	79,518	85,811	78,889
Sales of Products	4,974	3,854	5,040	4,592
Unemployment Surcharge	18,611	19,329	19,369	21,512
Other	89,509	67,460	61,168	57,622
Operating Grants and Contributions	6,218,836	5,885,657	5,065,429	4,222,670
Capital Grants and Contributions	659,288	607,383	485,711	439,693
<b>TOTAL PROGRAM REVENUES</b>	<b>8,510,691</b>	<b>7,891,754</b>	<b>6,496,478</b>	<b>5,488,013</b>
<b>EXPENSES:</b>				
General Government	192,579	189,865	308,410	217,939
Business, Community, and Consumer Affairs	667,929	662,854	705,037	667,381
Education	5,432,143	5,096,032	5,208,705	5,017,551
Health and Rehabilitation	696,539	659,187	644,699	603,296
Justice	1,538,363	1,527,857	1,543,310	1,436,009
Natural Resources	149,878	144,445	137,159	131,658
Social Assistance	6,397,426	6,091,958	5,220,295	4,660,287
Transportation	1,974,009	2,105,688	1,376,215	1,459,295
Payments to School Districts	-	-	-	-
Payments to Other Governments	-	-	-	-
Interest on Debt	32,487	33,203	20,393	37,567
Higher Education	-	-	-	-
Unemployment Insurance	-	-	-	-
CollegeInvest <sup>2</sup>	-	-	-	-
Lottery	-	-	-	-
Wildlife	-	-	-	-
College Assist	-	-	-	-
Other Business-Type Activities	-	-	-	-
<b>TOTAL EXPENSES</b>	<b>17,081,353</b>	<b>16,511,089</b>	<b>15,164,223</b>	<b>14,230,983</b>
<b>NET (EXPENSE) REVENUE</b>	<b>(8,570,662)</b>	<b>(8,619,335)</b>	<b>(8,667,745)</b>	<b>(8,742,970)</b>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:</b>				
Sales and Use Taxes	2,280,693	1,987,576	2,093,113	2,357,807
Excise Taxes	236,945	244,344	251,209	257,908
Individual Income Tax	4,151,119	3,770,597	4,024,105	4,591,481
Corporate Income Tax	441,778	360,852	322,683	461,390
Other Taxes	466,408	376,388	655,478	510,442
Restricted Taxes	928,260	873,287	880,625	986,274
Unrestricted Investment Earnings (Losses)	6,523	10,215	22,591	42,478
Other General Revenues	91,608	112,138	119,748	113,603
Special and/or Extraordinary Items (See Note 35)	-	-	(5,616)	(6,843)
(Transfers-Out) / Transfers-In	(110,266)	(94,993)	(114,685)	(77,732)
Internal Capital Contributions	-	-	-	-
Permanent Fund Additions	460	357	-	-
<b>TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:</b>	<b>8,493,528</b>	<b>7,640,761</b>	<b>8,249,251</b>	<b>9,236,808</b>
<b>TOTAL CHANGES IN NET ASSETS</b>	<b>(77,134)</b>	<b>(978,574)</b>	<b>(418,494)</b>	<b>493,838</b>
<b>NET ASSETS - BEGINNING</b>	<b>13,455,272</b>	<b>15,477,205</b>	<b>15,830,190</b>	<b>16,036,990</b>
Prior Period Adjustment	14,970	(594,624)	(118,642)	(393,912)
Accounting Changes	-	(448,735)	184,156	(306,726)
<b>NET ASSETS - ENDING</b>	<b>\$ 13,393,108</b>	<b>\$ 13,455,272</b>	<b>\$ 15,477,205</b>	<b>\$ 15,830,190</b>

<sup>1</sup> - In Fiscal Year 2005-06, the State began to report Payments to School Districts and Other Governments in the functional area that made the payment.  
<sup>2</sup> - In Fiscal Year 2005-06, the State changed the funding method for Higher Education Institutions and amounts previously reported as transfers are now reported as service fees and tuition.

**GOVERNMENTAL ACTIVITIES**

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
\$ 352,819	\$ 339,779	\$ 357,241	\$ 353,628	\$ 327,134	\$ 310,343
129,980	123,392	128,101	132,644	117,253	105,932
126,612	121,859	117,666	109,341	99,654	87,994
68,270	68,920	61,524	45,340	32,314	31,673
3,703	3,100	2,841	3,164	2,296	3,001
22,346	22,399	21,524	20,112	19,500	19,630
64,964	79,810	54,254	55,216	47,264	72,996
4,122,360	3,909,382	3,684,878	3,601,808	3,552,745	3,166,623
414,602	447,283	409,458	487,442	410,070	352,125
5,305,656	5,115,924	4,837,487	4,808,695	4,608,230	4,150,317
163,412	164,276	141,320	161,588	244,062	210,837
365,769	449,411	367,553	343,589	327,935	253,054
4,771,218	4,394,236	194,723	173,823	194,436	285,636
560,153	524,736	475,668	477,572	475,405	471,198
1,313,767	1,197,334	1,026,282	936,374	971,227	957,320
138,457	112,753	62,638	81,114	103,888	103,801
4,496,696	4,348,466	3,016,668	2,954,217	2,830,164	2,608,748
1,213,138	1,205,556	919,388	746,153	890,081	750,759
-	- <sup>1</sup>	3,283,590	3,131,486	2,946,679	2,689,452
-	- <sup>1</sup>	1,848,922	1,674,416	1,687,006	1,596,066
42,269	31,969	26,925	9,625	16,219	16,750
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
13,264,879	12,428,737	11,363,677	10,689,957	10,687,102	9,943,621
(7,959,223)	(7,312,813)	(6,526,190)	(5,881,262)	(6,078,872)	(5,793,304)
2,244,000	2,148,981	1,980,785	1,920,934	1,829,380	1,881,162
261,711	266,747	182,726	112,741	86,048	91,761
4,508,845	4,044,581	3,450,493	3,253,027	2,996,597	3,168,499
470,853	422,656	291,583	220,236	205,569	172,257
484,408	568,184	491,214	465,826	371,089	363,190
946,757	922,872	868,251	835,680	731,138	818,234
43,638	35,372	29,726	16,534	16,577	37,236
84,328	84,335	95,912	99,200	146,516	122,527
(25,915)	(13,534)	(1,112)	-	-	(21,000)
(98,926)	(80,894) <sup>2</sup>	(545,175)	(546,580)	(634,674)	(662,141)
-	-	(431)	(20)	(22,855)	25
-	-	-	-	-	-
8,919,699	8,399,300	6,843,982	6,377,578	5,725,385	5,971,750
960,476	1,086,487	317,792	496,316	(353,487)	178,446
15,083,865	14,126,295	13,807,166	13,135,877	13,617,705	13,617,705
(7,351)	(128,917)	1,337	174,973	(128,341)	(172,615)
-	-	-	-	-	8,154,227
\$ 16,036,990	\$ 15,083,865	\$ 14,126,295	\$ 13,807,166	\$ 13,135,877	\$ 13,617,705

**GOVERNMENT-WIDE  
SCHEDULE OF CHANGES IN NET ASSETS  
PRIMARY GOVERNMENT  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

Functions/Programs	2010-11	2009-10	2008-09	2007-08
<b>PROGRAM REVENUES:</b>				
Charges for Services:				
Licenses and Permits	\$ 120,910	\$ 106,946	\$ 119,611	\$ 84,395
Service Fees	874,990	607,485	681,807	667,504
Education - Tuition, Fees, and Sales	2,243,375	1,999,358	1,957,505	1,867,806
Fines and Forfeits	1,945	2,836	1,118	999
Rents and Royalties	29,507	24,648	29,908	32,399
Sales of Products	592,794	590,758	560,364	579,935
Unemployment Surcharge	791,317	491,716	363,241	398,046
Other	153,321	167,930	173,354	165,804
Operating Grants and Contributions	3,689,492	3,957,310	2,214,186	1,728,669
Capital Grants and Contributions	25,432	24,619	20,220	9,426
<b>TOTAL PROGRAM REVENUES</b>	<b>8,523,083</b>	<b>7,973,606</b>	<b>6,121,314</b>	<b>5,534,983</b>
<b>EXPENSES:</b>				
General Government	-	-	-	-
Business, Community, and Consumer Affairs	-	-	-	-
Education	-	-	-	-
Health and Rehabilitation	-	-	-	-
Justice	-	-	-	-
Natural Resources	-	-	-	-
Social Assistance	-	-	-	-
Transportation	-	-	-	-
Payments to School Districts	-	-	-	-
Payments to Other Governments	-	-	-	-
Interest on Debt	-	-	-	-
Higher Education	4,755,385	4,451,541	4,153,282	3,865,244
Unemployment Insurance	2,141,728	2,496,188	1,138,621	354,967
CollegeInvest <sup>2</sup>	-	68,650	78,647	116,286
Lottery	470,480	456,352	435,156	447,101
Wildlife	108,425	105,037	112,369	109,800
College Assist	402,648	410,027	399,576	326,800
Other Business-Type Activities	191,123	170,410	171,635	173,928
<b>TOTAL EXPENSES</b>	<b>8,069,789</b>	<b>8,158,205</b>	<b>6,489,286</b>	<b>5,393,406</b>
<b>NET (EXPENSE) REVENUE</b>	<b>453,294</b>	<b>(184,599)</b>	<b>(367,972)</b>	<b>141,577</b>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:</b>				
Sales and Use Taxes	-	-	-	-
Excise Taxes	-	-	-	-
Individual Income Tax	-	-	-	-
Corporate Income Tax	-	-	-	-
Other Taxes	-	-	-	36,963
Restricted Taxes	-	-	-	-
Unrestricted Investment Earnings (Losses)	-	-	-	-
Other General Revenues	-	-	-	-
Special and/or Extraordinary Items (See Note 35)	1,493	(79,575)	-	-
(Transfers-Out) / Transfers-In	110,266	94,993	114,685	77,732
Internal Capital Contributions	-	-	-	-
Permanent Fund Additions	-	-	-	-
<b>TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:</b>	<b>111,759</b>	<b>15,418</b>	<b>114,685</b>	<b>114,695</b>
<b>TOTAL CHANGES IN NET ASSETS</b>	<b>565,053</b>	<b>(169,181)</b>	<b>(253,287)</b>	<b>256,272</b>
<b>NET ASSETS - BEGINNING</b>	<b>4,746,480</b>	<b>4,880,112</b>	<b>5,127,090</b>	<b>4,870,818</b>
Prior Period Adjustment	(46,850)	35,549	6,309	-
Accounting Changes	-	-	-	-
<b>NET ASSETS - ENDING</b>	<b>\$ 5,264,683</b>	<b>\$ 4,746,480</b>	<b>\$ 4,880,112</b>	<b>\$ 5,127,090</b>

<sup>1</sup> - In Fiscal Year 2005-06, the State changed the funding method for Higher Education Institutions and amounts previously reported as transfers are now reported as service fees and tuition.  
<sup>2</sup> - In Fiscal Year 2005-06, the State segregated the Wildlife and College Assist enterprise funds out of the Other Business-Type Activities line.

**BUSINESS-TYPE ACTIVITIES**

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
\$ 84,302	\$ 75,388	\$ 64,864	\$ 66,196	\$ 59,426	\$ 57,546
575,555	536,261 <sup>1</sup>	273,541	242,809	188,614	153,983
1,734,996	1,622,045 <sup>1</sup>	1,294,488	1,227,187	1,143,890	1,062,083
1,174	729	596	554	1,025	1,379
26,271	28,765	21,527	44,783	16,576	21,084
520,838	522,715	467,088	449,910	440,902	459,317
403,641	504,039	462,416	338,063	190,461	153,024
140,376	162,045	120,145	117,682	130,239	255,970
1,685,417	1,466,045	1,403,928	1,344,191	1,398,401	1,176,005
22,263	16,856	16,667	73,952	28,662	47,202
5,194,833	4,934,888	4,125,260	3,905,327	3,598,196	3,387,593
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,661,270	3,446,716	3,294,154	3,128,126	3,108,493	2,942,776
316,577	305,447	352,712	591,789	742,745	583,508
96,720	73,745	54,453	37,355	45,213	41,351
401,969	402,391	367,474	354,159	341,907	349,955
96,515	91,221 <sup>2</sup>	-	-	-	-
199,677	115,200 <sup>2</sup>	-	-	-	-
163,727	138,773	267,408	246,988	253,633	229,773
4,936,455	4,573,493	4,336,201	4,358,417	4,491,991	4,147,363
258,378	361,395	(210,941)	(453,090)	(893,795)	(759,770)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
39,446	34,728	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	(707)	-	-	-	-
98,926	80,894 <sup>1</sup>	545,175	546,580	634,674	662,141
-	-	10,303	15,330	76,210	151,465
-	-	-	-	-	-
138,372	114,915	555,478	561,910	710,884	813,606
396,750	476,310	344,537	108,820	(182,911)	53,836
4,456,800	3,977,171	3,616,740	3,504,704	3,614,667	4,887,925
17,267	3,319	15,894	3,216	72,948	95,811
-	-	-	-	-	(1,422,905)
\$ 4,870,817	\$ 4,456,800	\$ 3,977,171	\$ 3,616,740	\$ 3,504,704	\$ 3,614,667

<sup>3</sup> - Due to the disposition of the CollegenInvest loan portfolio and related variable debt, CollegenInvest was removed as a major fund in Fiscal Year 2010-11 and is subsequently reported as part of the Other Business-Type Activities.

**GOVERNMENT-WIDE  
SCHEDULE OF CHANGES IN NET ASSETS  
PRIMARY GOVERNMENT  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

Functions/Programs	2010-11	2009-10	2008-09	RESTATED 2007-08
<b>PROGRAM REVENUES:</b>				
Charges for Services:				
Licenses and Permits	\$ 575,543	\$ 526,812	\$ 505,922	\$ 458,916
Service Fees	1,610,810	1,197,280	866,134	800,336
Education - Tuition, Fees, and Sales	2,243,375	1,999,358	1,957,558	1,867,806
Fines and Forfeits	202,377	221,728	204,377	156,691
Rents and Royalties	158,095	104,166	115,719	111,288
Sales of Products	597,768	594,612	565,404	584,527
Unemployment Surcharge	809,928	511,045	382,610	419,558
Other	242,830	235,390	234,522	223,426
Operating Grants and Contributions	9,908,328	9,842,967	7,279,615	5,951,339
Capital Grants and Contributions	684,720	632,002	505,931	449,119
<b>TOTAL PROGRAM REVENUES</b>	<b>17,033,774</b>	<b>15,865,360</b>	<b>12,617,792</b>	<b>11,022,996</b>
<b>EXPENSES:</b>				
General Government	192,579	189,865	308,410	217,939
Business, Community, and Consumer Affairs	667,929	662,854	705,037	667,381
Education	5,432,143	5,096,032	5,208,705	5,017,551
Health and Rehabilitation	696,539	659,187	644,699	603,296
Justice	1,538,363	1,527,857	1,543,310	1,436,009
Natural Resources	149,878	144,445	137,159	131,658
Social Assistance	6,397,426	6,091,958	5,220,295	4,660,287
Transportation	1,974,009	2,105,688	1,376,215	1,459,295
Payments to School Districts	-	-	-	-
Payments to Other Governments	-	-	-	-
Interest on Debt	32,487	33,203	20,393	37,567
Higher Education	4,755,385	4,451,541	4,153,282	3,865,244
Unemployment Insurance	2,141,728	2,496,188	1,138,621	354,967
CollegeInvest <sup>3</sup>	-	68,650	78,647	116,286
Lottery	470,480	456,352	435,156	447,101
Wildlife	108,425	105,037	112,369	109,800
College Assist	402,648	410,027	399,576	326,800
Other Business-Type Activities	191,123	170,410	171,635	173,928
<b>TOTAL EXPENSES</b>	<b>25,151,142</b>	<b>24,669,294</b>	<b>21,653,509</b>	<b>19,624,389</b>
<b>NET (EXPENSE) REVENUE</b>	<b>(8,117,368)</b>	<b>(8,803,934)</b>	<b>(9,035,717)</b>	<b>(8,601,393)</b>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:</b>				
Sales and Use Taxes	2,280,693	1,987,576	2,093,113	2,357,807
Excise Taxes	236,945	244,344	251,209	257,908
Individual Income Tax	4,151,119	3,770,597	4,024,105	4,591,481
Corporate Income Tax	441,778	360,852	322,683	461,390
Other Taxes	466,408	376,388	655,478	547,405
Restricted Taxes	928,260	873,287	880,625	986,274
Unrestricted Investment Earnings (Losses)	6,523	10,215	22,591	42,478
Other General Revenues	91,608	112,138	119,748	113,603
Special and/or Extraordinary Items (See Note 35)	1,493	(79,575)	(5,616)	(6,843)
(Transfers-Out) / Transfers-In	-	-	-	-
Internal Capital Contributions	-	-	-	-
Permanent Fund Additions	460	357	-	-
<b>TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:</b>	<b>8,605,287</b>	<b>7,656,179</b>	<b>8,363,936</b>	<b>9,351,503</b>
<b>TOTAL CHANGES IN NET ASSETS</b>	<b>487,919</b>	<b>(1,147,755)</b>	<b>(671,781)</b>	<b>750,110</b>
<b>NET ASSETS - BEGINNING</b>				
Prior Period Adjustment	18,201,752	20,357,317	20,957,280	20,907,808
Accounting Changes	(31,880)	(559,075)	(112,338)	(933,912)
-	-	(448,735)	184,156	(306,726)
<b>NET ASSETS - ENDING</b>	<b>\$ 18,657,791</b>	<b>\$ 18,201,752</b>	<b>\$ 20,357,317</b>	<b>\$ 20,957,280</b>

TOTAL PRIMARY GOVERNMENT					
2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
\$ 437,121	\$ 415,167	\$ 422,105	\$ 419,824	\$ 386,560	\$ 367,889
705,535	659,653	401,642	375,453	305,867	259,915
1,734,997	1,622,045	1,294,488	1,227,187	1,143,890	1,062,083
127,786	122,588	118,262	109,895	100,679	89,373
94,541	97,685	83,051	90,123	48,890	52,757
524,541	525,815	469,929	453,074	443,198	462,318
4,295,987	526,438	483,940	358,175	209,961	172,654
205,340	241,855	174,399	172,898	177,503	328,966
5,807,777	5,375,427	5,088,806	4,945,999	4,951,146	4,342,628
436,865	464,139	426,125	561,394	438,732	399,327
10,500,490	10,050,812	8,962,747	8,714,022	8,206,426	7,537,910
163,412	164,276	141,320	161,588	244,062	210,837
365,769	449,411	367,553	343,589	327,935	253,054
4,771,218	4,394,236	194,723	173,823	194,436	285,636
560,153	524,736	475,668	477,572	475,405	471,198
1,313,767	1,197,334	1,026,282	936,374	971,227	957,320
138,457	112,753	62,638	81,114	103,888	103,801
4,496,696	4,348,466	3,016,668	2,954,217	2,830,164	2,608,748
1,213,138	1,205,556	919,388	746,153	890,081	750,759
-	-	3,283,590	3,131,486	2,946,679	2,689,452
-	-	1,848,922	1,674,416	1,687,006	1,596,066
42,269	31,969	26,925	9,625	16,219	16,750
3,661,270	3,446,716	3,294,154	3,128,126	3,108,493	2,942,776
316,577	305,447	352,712	591,789	742,745	583,508
96,720	73,745	54,453	37,355	45,213	41,351
401,969	402,391	367,474	354,159	341,907	349,955
96,515	91,221	-	-	-	-
199,677	115,200	-	-	-	-
163,727	138,773	267,408	246,988	253,633	229,773
18,201,334	17,002,230	15,699,878	15,048,374	15,179,093	14,090,984
(7,700,844)	(6,951,418)	(6,737,131)	(6,334,352)	(6,972,667)	(6,553,074)
2,244,000	2,148,981	1,980,785	1,920,934	1,829,380	1,881,162
261,711	266,747	182,726	112,741	86,048	91,761
4,508,845	4,044,581	3,450,493	3,253,027	2,996,597	3,168,499
470,853	422,656	291,583	220,236	205,569	172,257
523,854	602,912	491,214	465,826	371,089	363,190
946,757	922,672	868,251	835,680	731,138	818,234
43,638	35,372	29,736	16,534	16,577	37,236
84,328	84,335	95,912	99,200	146,516	122,527
(25,915)	(14,241)	(1,112)	-	-	(21,000)
-	-	-	-	-	-
-	-	9,872	15,310	53,355	151,490
-	-	-	-	-	-
9,058,071	8,514,215	7,399,460	6,939,488	6,436,269	6,785,356
1,357,227	1,562,797	662,329	605,136	(536,398)	232,282
19,540,665	18,103,466	17,423,906	16,640,581	17,232,372	10,345,572
9,916	(125,598)	17,231	178,189	(55,393)	(76,804)
-	-	-	-	-	6,731,322
\$ 20,907,808	\$ 19,540,665	\$ 18,103,466	\$ 17,423,906	\$ 16,640,581	\$ 17,232,372

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
ALL GOVERNMENTAL FUND TYPES  
Last Ten Fiscal Years**

(DOLLARS IN MILLIONS)

	2010-11 <sup>1</sup>	2009-10	2008-09 <sup>2</sup>	2007-08
<b>REVENUES:</b>				
Taxes	\$ 8,430	\$ 7,640	\$ 8,231	\$ 9,203
Less: Excess TABOR Revenues	-	-	-	-
Licenses, Permits, and Fines	745	734	701	643
Charges for Goods and Services	730	552	150	104
Rents (reported in 'Other' prior to FY05)	129	80	86	79
Investment Income	97	199	258	316
Federal Grants and Contracts	6,917	7,023	5,480	4,308
Unclaimed Property Receipts	40	42	58	-
Other	221	192	195	179
<b>TOTAL REVENUES</b>	<b>17,309</b>	<b>16,462</b>	<b>15,159</b>	<b>14,832</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
General Government	560	775	511	123
Business, Community and Consumer Affairs	388	369	332	311
Education	778	855	879	802
Health and Rehabilitation	592	583	608	561
Justice	1,314	1,315	1,285	1,195
Natural Resources	132	126	121	112
Social Assistance	5,656	4,454	3,836	3,669
Transportation	1,064	1,017	1,074	1,055
Capital Outlay	329	240	308	243
<b>Intergovernmental:</b>				
Cities	300	281	294	289
Counties	1,478	2,253	2,043	1,799
School Districts	4,303	4,364	4,143	3,814
Other	185	219	185	258
Debt Service <sup>3</sup>	208	194	189	208
<b>TOTAL EXPENDITURES</b>	<b>17,286</b>	<b>17,045</b>	<b>15,808</b>	<b>14,439</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>23</b>	<b>(583)</b>	<b>(649)</b>	<b>393</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers-In	4,776	5,333	5,179	4,298
Transfers-Out:				
Higher Education	-	-	(121)	(131)
Other	(4,866)	(5,389)	(5,162)	(4,237)
Face Amount of Debt Issued	218	559	-	-
Bond Premium/Discount	-	8	-	-
Capital Lease Debt Issuance	17	-	11	18
Sale of Capital Assets	-	-	-	1
Insurance Recoveries	2	4	2	2
Debt Refunding Issuance	-	-	-	-
Debt Refunding Payments	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>147</b>	<b>515</b>	<b>(91)</b>	<b>(49)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>170</b>	<b>(68)</b>	<b>(740)</b>	<b>344</b>
<b>FUND BALANCE - BEGINNING</b>				
Prior Period Adjustments	4,086	4,785	5,312	5,012
Accounting Changes	(4)	(41)	(1)	(44)
	591	-	214	-
<b>FUND BALANCE - ENDING</b>	<b>\$ 4,842</b>	<b>\$ 4,676</b>	<b>\$ 4,785</b>	<b>\$ 5,312</b>

<sup>1</sup> - See additional debt service information including principal and interest components and a ratio of total debt service expenditures to total noncapital expenditures on page 264.

<sup>2</sup> - In Fiscal Years 2008-09 and 2009-10, Unclaimed Property activity was partially converted from a Private Purpose Trust Fund to a Special Revenue Fund and therefore is not included in this schedule prior to the conversion.

<sup>3</sup> - Beginning in Fiscal Year 2010-11 the Supplemental Nutrition Assistance Program (SNAP) expenditures are reported in the Social Assistance line. In previous years it was reported as Intergovernmental payments in the Counties line.

	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
\$	8,936	\$ 8,396	\$ 7,323	\$ 6,794	\$ 6,261	\$ 6,499
	-	-	(41)	-	-	-
	575	541	565	551	517	504
	99	99	99	108	108	99
	68	69	62	-	-	-
	272	117	126	54	259	240
	4,073	4,054	3,831	3,880	3,471	3,104
	-	-	-	-	-	-
	320	341	321	358	351	299
	14,343	13,617	12,286	11,745	10,967	10,745
	251	256	278	267	229	238
	303	274	277	296	317	277
	713	673	129	119	116	122
	530	486	443	450	450	453
	1,088	998	978	897	933	924
	107	97	90	85	82	82
	3,400	3,263	3,026	2,969	2,851	2,619
	950	962	983	1,098	1,105	1,127
	124	82	92	74	136	276
	239	251	218	211	198	209
	1,721	1,616	1,474	1,319	1,328	1,229
	3,719	3,455	3,284	3,131	2,947	2,689
	242	197	157	144	160	158
	213	204	114	92	99	85
	13,600	12,814	11,543	11,152	10,951	10,488
	743	803	743	593	16	257
	4,202	3,645	3,198	2,819	3,507	3,987
	(120)	(128)	(597)	(605)	(695)	(742)
	(4,137)	(3,580)	(3,136)	(2,750)	(3,406)	(3,880)
	-	-	-	235	-	208
	-	-	-	53	-	12
	4	132	27	2	12	5
	-	4	10	12	3	3
	1	1	-	-	-	-
	-	-	-	280	443	10
	-	-	-	(311)	(436)	(10)
	(50)	74	(498)	(265)	(572)	(407)
	693	877	245	328	(556)	(150)
	4,319	3,441	3,196	2,827	3,383	4,043
	-	1	-	41	-	(510)
	-	-	-	-	-	-
\$	5,012	\$ 4,319	\$ 3,441	\$ 3,196	\$ 2,827	\$ 3,383

**GENERAL PURPOSE REVENUE (AFTER TABOR REFUNDS)**  
**GENERAL FUND**  
**IN DOLLARS AND AS A PERCENT OF TOTAL**  
**Last Ten Fiscal Years**

(DOLLARS IN MILLIONS)

	2010-11	2009-10	2008-09	2007-08
Income Tax:				
Individual	\$ 4,154	\$ 3,777	\$ 4,021	\$ 4,600
Corporate	366	350	265	474
Net Income Tax	4,520	4,127	4,286	5,074
Sales, Use, and Excise Taxes	2,323	2,072	1,982	2,173
Less: Excess TABOR Revenues	-	-	-	-
Net Sales, Use, and Excise Taxes	2,323	2,072	1,982	2,173
Estate Taxes	-	-	-	-
Insurance Tax	190	187	192	188
Gaming and Other Taxes	20	16	-	-
Investment Income	8	10	9	18
Medicaid Provider Revenues	-	-	-	-
Other	25	44	56	52
<b>TOTAL GENERAL REVENUES</b>	<b>\$ 7,086</b>	<b>\$ 6,456</b>	<b>\$ 6,525</b>	<b>\$ 7,505</b>
Percent Change From Previous Year	9.8%	-1.1%	-13.1%	2.6%
(AS PERCENT OF TOTAL EXCLUDING TABOR REFUND)				
Net Income Tax	63.8%	63.9%	65.7%	67.6%
Sales, Use, and Excise Taxes	32.7	32.1	30.4	29.0
Estate Taxes	0.0	0.0	0.0	0.0
Insurance Tax	2.7	2.9	2.9	2.5
Other Taxes	0.3	0.2	0.0	0.0
Interest	0.1	0.2	0.1	0.2
Medicaid Provider Revenues	0.0	0.0	0.0	0.0
Other	0.4	0.7	0.9	0.7
<b>TOTAL GENERAL REVENUES</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
\$ 4,510	\$ 4,044	\$ 3,421	\$ 3,189	\$ 2,945	\$ 3,086
464	422	293	218	214	165
4,974	4,466	3,714	3,407	3,159	3,251
2,076	1,995	2,146	2,005	1,915	1,962
-	-	(41)	-	-	-
2,076	1,995	2,105	2,005	1,915	1,962
1	7	26	47	53	73
179	175	189	176	171	155
7	18	40	40	38	34
28	33	28	20	51	25
-	-	-	-	16	11
48	52	59	72	74	61
\$ 7,313	\$ 6,746	\$ 6,161	\$ 5,767	\$ 5,477	\$ 5,572
8.4%	9.5%	6.8%	5.3%	-1.7%	2.7%
68.0%	66.2%	60.3%	59.1%	57.7%	58.3%
28.4	29.5	34.1	34.8	34.9	35.3
0.0	0.1	0.4	0.8	1.0	1.3
2.4	2.6	3.1	3.1	3.1	2.8
0.1	0.3	0.6	0.7	0.7	0.6
0.4	0.5	0.5	0.3	0.9	0.4
0.0	0.0	0.0	0.0	0.3	0.2
0.7	0.8	1.0	1.2	1.4	1.1
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

**EXPENDITURES BY DEPARTMENT<sup>1</sup> AND TRANSFERS  
FUNDED BY GENERAL PURPOSE REVENUES  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

	2010-11	2009-10	2008-09	2007-08
Department: <sup>1</sup>				
Agriculture	\$ 4,761	\$ 5,915	\$ 6,809	\$ 7,124
Corrections	656,184	563,570	637,292	626,246
Education	2,963,080	3,238,879	3,214,951	3,023,255
Governor	11,481	13,781	13,342	17,346
Health Care Policy and Financing	1,303,820	1,152,245	1,311,702	1,482,803
Higher Education	705,085	428,784	661,974	747,717
Human Services	724,121	751,149	776,394	749,974
Judicial Branch	324,079	323,146	328,056	300,674
Labor and Employment	-	-	-	-
Law	9,406	9,133	8,705	8,474
Legislative Branch	31,858	32,504	34,944	31,139
Local Affairs	10,532	10,854	12,276	10,895
Military and Veterans Affairs	5,062	5,263	5,637	5,407
Natural Resources	25,617	25,515	30,558	30,086
Personnel & Administration	4,886	5,139	5,337	10,934
Public Health and Environment	27,291	26,548	26,634	23,596
Public Safety	80,366	79,459	78,874	72,806
Regulatory Agencies	1,490	1,429	1,451	1,400
Revenue	35,674	54,187	67,092	73,593
Treasury	4,378	7,784	10,643	13,902
Transfer to Capital Construction Fund	11,985	169	39,396	183,443
Transfer to Various Cash Funds	8,000	8,000	10,281	327
Transfer to the Highway Users Tax Fund	-	-	28,965	166,182
Other Transfers and Nonoperating Disbursements	20,555	20,555	102,966	137,747
	\$ 6,969,711	\$ 6,764,008	\$ 7,414,279	\$ 7,725,070
TOTALS				
Percent Change	3.0%	-8.8%	-4.0%	3.0%
(AS PERCENT OF TOTAL)				
Education	42.5%	47.9%	43.4%	39.1%
Health Care Policy and Financing	18.7	17.0	17.7	19.2
Higher Education	10.1	6.3	8.9	9.7
Human Services	10.4	11.1	10.5	9.7
Corrections	9.4	8.3	8.6	8.1
Transfer to Capital Construction Fund	0.2	0.0	0.5	2.4
Transfer to Various Cash Funds	0.1	0.1	0.1	0.0
Transfers to the Highway Users Tax Fund	0.0	0.0	0.4	2.2
Judicial	4.6	4.8	4.4	3.9
Revenue	0.5	0.8	0.9	1.0
All Others	3.5	3.7	4.6	4.7
TOTALS	100.0%	100.0%	100.0%	100.0%

<sup>1</sup> - Expenditures in this schedule are reported on the modified accrual basis (GAAP basis) rather than the budgetary basis, which defers certain payroll, Medicaid costs and related revenues, and other statutorily defined expenditures to the following fiscal year. Certain expenditures are shown in the department that makes the external payment rather than being shown in the department that receives the original general-funded appropriation.

	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
\$	5,197	\$ 4,038	\$ 4,107	\$ 3,716	\$ 8,700	\$ 10,118
	577,482	534,233	495,234	467,207	476,972	443,334
	2,882,876	2,718,667	2,514,427	2,417,490	2,313,588	2,268,794
	11,991	15,862	15,808	13,317	31,465	19,566
	1,369,321	1,362,893	1,247,254	1,142,620	1,132,643	1,076,838
	693,999	636,341	587,958	591,221	685,686	739,556
	718,366	590,071	568,461	534,759	551,299	560,716
	265,161	237,673	219,612	207,432	213,939	214,619
	108	-	-	-	-	-
	8,975	7,143	6,738	6,266	8,141	9,677
	29,880	27,633	26,745	26,818	28,100	27,224
	9,973	8,500	8,573	4,565	7,419	10,361
	5,050	4,324	3,883	3,739	4,273	3,973
	28,550	22,806	22,481	19,337	23,599	24,434
	9,385	8,181	7,805	7,457	12,282	14,028
	23,081	20,586	13,061	12,359	16,573	31,790
	67,169	58,785	56,315	53,895	54,465	56,597
	1,273	1,390	1,047	1,028	1,582	1,914
	65,398	57,928	57,702	57,066	66,898	69,297
	12,403	18,443	15,027	690	62,171	4,198
	291,467	104,841	40,759	12,270	9,489	25,564
	3,748	67,100	185,628	-	-	-
	291,179	65,345	81,212	5,559	-	35,179
	130,598	49,190	20,264	34,257	58,746	68,325
	<u>\$ 7,502,630</u>	<u>\$ 6,621,973</u>	<u>\$ 6,200,101</u>	<u>\$ 5,623,068</u>	<u>\$ 5,768,030</u>	<u>\$ 5,716,102</u>
	13.3%	6.8%	10.3%	-2.5%	0.9%	-0.4%
	38.4%	41.1%	40.6%	43.0%	40.1%	39.7%
	18.3	20.6	20.1	20.3	19.6	18.8
	9.3	9.6	9.5	10.5	11.9	12.9
	9.6	8.9	9.2	9.5	9.6	9.8
	7.7	8.1	8.0	8.3	8.3	7.8
	3.9	1.6	0.7	0.2	0.2	0.4
	0.0	1.0	3.0	0.0	-	-
	3.9	1.0	-	-	-	-
	3.5	3.6	3.5	3.7	3.7	3.8
	0.9	0.9	0.9	1.0	1.2	1.2
	4.5	3.6	4.5	3.5	5.4	5.6
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

**FUND BALANCE  
GENERAL FUND AND ALL OTHER GOVERNMENTAL FUND TYPES  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

	2010-11 <sup>1</sup>	2009-10	2008-09	2007-08
<b>GENERAL PURPOSE:</b>				
Reserved for:				
Encumbrances	\$ -	\$ 5,721	\$ 2,195	\$ 16,487
Noncurrent Assets	-	-	1	7
Statutory Purposes	-	-	148,212	151,721
Risk Management	-	23,031	18,650	35,559
Unreserved Undesignated:				
General Fund	-	(30,822)	155,436	-
Unreserved:				
Designated for Unrealized Investment Gains:				
General Fund	-	17,854	10,939	3,639
Nonspendable:				
Inventories	8,742	-	-	-
Prepays	33,009	-	-	-
Restricted	542,997	-	-	-
Committed	39,458	-	-	-
Assigned	109	-	-	-
Unassigned	(21,468)	-	-	-
<b>TOTAL RESERVED</b>	<b>-</b>	<b>28,752</b>	<b>169,058</b>	<b>203,774</b>
<b>TOTAL UNRESERVED</b>	<b>-</b>	<b>(12,968)</b>	<b>166,375</b>	<b>3,639</b>
<b>TOTAL FUND BALANCE</b>	<b>602,847</b>	<b>15,784</b>	<b>335,433</b>	<b>207,413</b>
<b>ALL OTHER GOVERNMENTAL FUNDS:</b>				
Reserved for:				
Encumbrances	\$ -	\$ 1,052,572	\$ 1,043,396	\$ 966,477
Noncurrent Assets	-	884,828	515,062	425,830
Debt Service	-	4,093	558	558
Statutory Purposes	-	325,463	40,921	109,322
Risk Management	-	-	-	-
Emergencies	-	94,000	93,550	93,000
Funds Reported as Restricted	-	1,151,448	1,445,739	1,902,755
Unreserved, Reported in:				
General Fund	-	-	-	-
Special Revenue Funds	-	57,148	53,498	54,676
Capital Projects Funds	-	(35,611)	54,687	134,470
Permanent Funds	-	-	-	-
Nonmajor Special Revenue Funds	-	1,302,178	1,117,248	1,391,483
Nonmajor Permanent Funds	-	10,586	8,500	2,326
Unreserved:				
Designated for Unrealized Investment Gains:				
Reported in Major Funds	-	34,487	30,327	13,385
Reported in Nonmajor Special Revenue Funds	-	40,778	23,719	8,751
Reported in Nonmajor Debt Service Funds	-	-	-	-
Reported in Nonmajor Permanent Funds	-	38,541	22,875	1,571
Nonspendable:				
Inventories	9,839	-	-	-
Permanent Fund Principal	658,883	-	-	-
Prepays	21,540	-	-	-
Restricted	1,988,088	-	-	-
Committed	1,560,775	-	-	-
<b>TOTAL RESERVED</b>	<b>-</b>	<b>3,212,404</b>	<b>3,179,226</b>	<b>3,497,942</b>
<b>TOTAL UNRESERVED</b>	<b>-</b>	<b>1,448,107</b>	<b>1,310,454</b>	<b>1,606,662</b>
<b>TOTAL FUND BALANCE</b>	<b>4,239,125</b>	<b>4,660,511</b>	<b>4,449,680</b>	<b>5,104,604</b>
<b>TOTAL RESERVED</b>	<b>-</b>	<b>3,241,156</b>	<b>3,308,284</b>	<b>3,701,716</b>
<b>TOTAL UNRESERVED</b>	<b>-</b>	<b>1,435,139</b>	<b>1,476,829</b>	<b>1,610,301</b>
<b>TOTAL FUND BALANCE</b>	<b>\$ 4,841,972</b>	<b>\$ 4,676,295</b>	<b>\$ 4,785,113</b>	<b>\$ 5,312,017</b>

<sup>1</sup> - This amount results from a \$458.1 million year-end transfer into the General Fund from various cash funds to prevent a deficit fund balance  
<sup>2</sup> - The implementation of Governmental Accounting Standards Board Statement No. 54 in Fiscal Year 2010-11 resulted in a significant change in the State's fund balance classifications.

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
\$ 11,912	\$ 12,233	\$ 3,497	\$ 2,106	\$ 3,684	\$ 2,093
13	91	192	300	231	320
267,020	251,704	198,751	207,003	60,731	39,622
38,593	32,851	36,473	33,301	39,412	-
95,779	295,882	-	-	-	137,595
-	-	-	4,272	30,657	26,697
317,538	296,879	238,913	242,710	104,058	42,035
95,779	295,882	-	4,272	30,657	164,292
413,317	592,761	238,913	246,982	134,715	206,327
\$ 821,112	\$ 814,811	\$ 629,430	\$ 795,414	\$ 916,053	\$ 994,758
385,248	342,341	292,336	278,843	278,006	245,051
558	580	3,298	7,965	5,137	6,495
130,000	137,530	10,263	11,565	10,929	14,328
-	-	-	-	-	-
85,760	79,800	71,000	172,202	150,762	81,917
1,669,326	1,233,272	1,104,061	998,428	770,874	1,118,886
-	-	-	-	-	-
72,870	872,212	812,706	41,589	27,692	29,918
199,126	(47,740)	(12,545)	(39,986)	4,555	43,029
-	-	-	-	-	-
1,233,276	291,488	274,941	664,258	448,766	591,846
1,782	1,642	1,954	1,291	961	810
-	-	4,484	6,964	30,944	14,847
-	-	347	5,491	20,380	15,662
-	-	-	-	-	-
-	-	9,926	4,718	27,429	18,644
3,092,004	2,608,334	2,110,388	2,264,417	2,131,761	2,461,435
1,507,014	1,117,602	1,091,813	684,325	560,727	714,756
4,599,018	3,725,936	3,202,201	2,948,742	2,692,488	3,176,191
3,409,542	2,905,213	2,349,301	2,507,127	2,235,819	2,503,470
1,602,873	1,413,484	1,091,813	688,597	591,384	879,048
\$ 5,012,335	\$ 4,318,697	\$ 3,441,114	\$ 3,195,724	\$ 2,827,203	\$ 3,382,518

**TABOR REVENUES, EXPENDITURES,  
FISCAL YEAR SPENDING LIMITATIONS,  
AND REFUNDS  
Last Eleven Fiscal Years**

(DOLLARS IN THOUSANDS)

	Unaudited 2010-11	2009-10	2008-09
DISTRICT REVENUES:			
Exempt District Revenues	\$ 15,532,332	\$ 16,056,039	\$ 14,496,192
Nonexempt District Revenues	9,424,764	8,567,941	9,102,354
<b>TOTAL DISTRICT REVENUES</b>	<b>24,957,096</b>	<b>24,623,980</b>	<b>23,598,546</b>
Percent Change In Nonexempt District Revenues	10.0%	-5.9%	-9.0%
DISTRICT EXPENDITURES:			
Exempt District Expenditures	15,532,332	16,056,039	14,496,192
Nonexempt District Expenditures	9,330,892	8,638,571	10,168,409
<b>TOTAL DISTRICT EXPENDITURES</b>	<b>24,863,224</b>	<b>24,694,610</b>	<b>24,664,601</b>
Percent Change In Nonexempt District Expenditures	8.0%	-15.0%	6.7%
<b>TOTAL DISTRICT RESERVE/FUND BALANCE INCREASE (DECREASE)</b>	<b>\$ (676,291)</b>	<b>\$ (70,630)</b>	<b>\$ (1,066,055)</b>
FISCAL YEAR SPENDING LIMIT			
Prior Fiscal Year Spending Limitation	\$ 8,567,941	\$ 9,102,354	\$ 8,829,131
Adjustments To Prior Year Limit <sup>2</sup>	(15,963)	(422,016)	(10,365)
<b>ADJUSTED PRIOR YEAR FISCAL SPENDING LIMITATION</b>	<b>8,551,978</b>	<b>8,680,338</b>	<b>8,818,766</b>
Allowable Growth Rate (Population Plus Inflation)	1.2%	5.8%	4.1%
Current Fiscal Year Spending Limitation	8,654,602	9,183,797	9,180,336
Adjustments To Current Year Limit	-	-	23,505
<b>ADJUSTED CURRENT YEAR FISCAL SPENDING LIMITATION</b>	<b>8,654,602</b>	<b>9,183,797</b>	<b>9,203,841</b>
<b>EXCESS STATE REVENUE CAP (ESRC)<sup>3</sup></b>	<b>10,684,856</b>		
<b>NONEXEMPT DISTRICT REVENUES</b>	<b>9,424,764</b>	<b>8,567,941</b>	<b>9,102,354</b>
Amount Over(Under) Adjusted Fiscal Year Spending Limitation	770,162	(615,856)	(101,488)
Amount Over(Under) Excess State Revenue Cap	(1,260,092)		
Correction Of Prior Years' Refunds	-	-	-
Voter Approved or Statutory Retention of Excess Revenue	-	-	-
<b>FISCAL YEAR REFUND</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

<sup>1</sup> - The implementation of Governmental Accounting Standards Board Statement No. 34 in Fiscal Year 2001-02 resulted in a significant change in the State's fund structure that increased the amount of intra and interfund transfers. Because most of the transfers result in exempt revenues and expenditures, most of the change shows in the exempt categories.

<sup>2</sup> - Large adjustments to the prior year limit are primarily related to activities qualifying as TABOR enterprises, after which the activity's revenues and expenditures are no longer shown in the district amounts.

<sup>3</sup> - Beginning in Fiscal Year 2010-11, with the expiration of the Referendum C retention period, Fiscal Year Refunds are based on the Excess State Revenue Cap rather than the Fiscal Year Spending Limit.

2007-08	2006-07	2005-06	Restated 2004-05	2003-04	2002-03	2001-02	Restated 2000-01
\$ 12,126,729	\$ 11,759,914	\$ 10,899,936	\$ 11,015,958	\$ 11,650,100	\$ 12,059,372	\$ 11,702,980	\$ 8,213,400
9,998,559	9,641,867	9,161,391	8,482,963	8,331,991	7,712,512	7,752,211	8,877,105
22,125,288	21,401,781	20,061,327	19,498,921	19,982,091	19,771,884	19,455,191	17,090,505
3.7%	5.2%	8.0%	1.8%	8.0%	-0.5%	-12.7%	4.4%
12,126,729	11,759,914	10,899,936	11,015,958	11,650,100	12,059,372	11,702,980 <sup>1</sup>	8,213,399
9,533,890	8,847,334	8,029,686	9,473,642	7,799,832	8,198,724	7,729,239	6,945,742
21,660,619	20,607,248	18,929,622	20,489,600	19,449,932	20,258,096	19,432,219	15,159,141
7.8%	10.2%	-15.2%	21.5%	-4.9%	6.1%	11.3%	7.3%
\$ 464,670	\$ 794,533	\$ 1,131,705	\$ (990,679)	\$ 532,159	\$ (486,212)	\$ 22,972	\$ 1,931,364

\$ 8,333,827	\$ 8,045,256	\$ 8,314,374	\$ 8,331,991	\$ 7,712,512	\$ 7,752,211	\$ 7,948,550	\$ 7,563,710
(1,054)	(173)	(372,471)	(383,103)	(31,732)	(12,865)	(53,497)	-
8,332,773	8,045,083	7,941,903	7,948,888	7,680,780	7,739,346	7,895,053	7,563,710
5.5%	3.5%	1.3%	2.2%	3.6%	6.9%	4.0%	5.1%
8,791,075	8,326,662	8,045,148	8,123,764	7,957,288	8,273,361	8,210,855	7,949,459
38,056	7,165	109	190,610	374,703	23,426	(84,666)	(909)
8,829,131	8,333,827	8,045,257	8,314,374	8,331,991	8,296,787	8,126,189	7,948,550

9,998,559	9,641,867	9,161,391	8,482,963	8,331,991	7,712,512	7,752,211	8,877,105
1,169,428	1,308,040	1,116,134	168,589	-	(584,275)	(373,978)	928,555
-	-	-	284	-	-	8,284	(1,354)
1,169,428	1,308,040	1,116,134	127,810	-	-	-	-
\$ -	\$ -	\$ -	\$ 41,063	\$ -	\$ -	\$ -	\$ 927,201

**INDIVIDUAL INCOME TAX RETURNS<sup>1</sup>**  
**BY ADJUSTED GROSS INCOME CLASS**  
**1999 to 2008**

(NUMBER OF RETURNS, PERCENT OF NET INCOME TAX REVENUE)

	2008 <sup>2</sup>		2007		2006		2005		2004	
	# of Tax Returns	% of Income Tax								
ADJUSTED GROSS INCOME CLASS										
Negative Income	23,480	0.0%	24,376	0.0%	23,376	0.0%	23,916	0.0%	24,570	0.0%
\$0 to \$5,000	76,617	0.0%	81,028	0.0%	72,400	0.0%	76,547	0.0%	73,929	0.0%
\$5,001 to \$10,000	112,812	0.0%	109,819	0.0%	108,412	0.0%	112,703	0.0%	112,776	0.0%
\$10,001 to \$15,000	130,686	0.3%	125,816	0.2%	127,061	0.3%	128,661	0.3%	129,339	0.4%
\$15,001 to \$20,000	139,486	0.8%	134,806	0.6%	134,933	0.8%	134,643	0.8%	134,988	1.0%
\$20,001 to \$25,000	135,930	1.3%	131,969	0.6%	130,926	1.3%	130,647	1.4%	131,424	1.6%
\$25,001 to \$35,000	248,979	4.1%	243,919	3.3%	240,034	3.8%	236,285	4.1%	236,162	4.7%
\$35,001 to \$50,000	285,209	7.8%	278,843	6.3%	272,040	7.2%	267,939	7.6%	266,625	8.6%
\$50,001 to \$75,000	318,161	14.0%	313,367	11.4%	302,778	12.9%	295,028	13.6%	289,548	15.1%
\$75,001 to \$100,000	202,834	13.9%	200,847	11.4%	189,359	12.5%	179,635	13.0%	171,170	14.0%
\$100,000 and over	317,476	57.8%	330,337	65.7%	290,548	61.2%	256,424	59.2%	227,936	54.6%
TOTAL	1,991,670	100.0%	1,975,127	100.0%	1,891,867	100.0%	1,842,428	100.0%	1,798,467	100.0%

Source: Colorado Department of Revenue

<sup>1</sup> - Returns and taxes generated by taxpayers claimed as dependents are excluded from this data.

<sup>2</sup> - Distribution analysis is done after the end of the late filing period and this is the most current data available from the Department of Revenue.

**SALES TAX RETURNS**  
**BY INDUSTRY CLASS**  
**2003 to 2010<sup>1</sup>**

(NUMBER OF RETURNS, PERCENT OF NET SALES TAX REVENUE)

	2010		2009		2008		2007	
	# of Tax Returns	% of Sales Tax						
INDUSTRY CLASS								
Agriculture, Forestry, & Fisheries	3,787	0.1%	3,595	0.1%	3,653	0.1%	3,632	0.1%
Mining	5,543	1.4%	5,324	1.9%	4,491	1.9%	4,104	1.7%
Public Utilities	10,177	3.6%	9,721	3.5%	9,517	3.9%	8,725	3.0%
Construction Trades	33,065	1.1%	31,811	1.3%	31,949	1.5%	30,929	1.5%
Manufacturing	96,062	4.2%	88,504	4.7%	84,393	4.8%	87,475	4.9%
Wholesale Trade	72,331	5.7%	72,914	6.6%	72,432	6.7%	74,498	6.7%
Retail Trade	385,914	51.8%	385,320	49.5%	395,100	49.9%	399,395	51.5%
Transportation & Warehousing	3,831	0.2%	3,916	0.3%	4,014	0.3%	4,733	0.3%
Information Producers/Distributors	167,660	6.3%	171,984	6.3%	174,348	5.9%	170,488	5.8%
Finance & Insurance	35,443	1.4%	35,103	1.4%	33,499	1.5%	34,308	1.2%
Real Estate, Rental, & Leasing Services	84,376	3.4%	82,509	3.7%	79,541	3.8%	71,969	3.8%
Professional, Scientific, & Technical Services	64,231	1.5%	64,002	1.6%	65,592	1.6%	66,352	1.8%
Bus. Admin., Support, Waste/Remediation Services	24,102	0.6%	24,615	0.7%	23,401	0.7%	23,014	0.7%
Educational Services	5,914	0.2%	6,068	0.2%	6,526	0.2%	5,566	0.2%
Health Care & Social Assistance Services	16,018	0.2%	15,572	0.2%	13,013	0.2%	12,233	0.2%
Arts, Entertainment, & Recreation Services	17,230	0.6%	17,301	0.6%	17,391	0.6%	17,196	0.6%
Hotel & Other Accommodation Services	21,282	3.5%	21,153	3.6%	21,221	3.6%	20,995	3.5%
Food & Drinking Services	130,911	11.8%	129,780	11.4%	129,123	10.5%	125,682	10.2%
Other Personal Services	86,316	2.2%	86,861	2.3%	86,647	2.2%	85,361	2.1%
Government Services	6,290	0.2%	5,655	0.1%	6,044	0.1%	7,445	0.2%
TOTAL	1,270,483	100%	1,261,708	100%	1,261,895	100%	1,254,100	100%

Source: Colorado Department of Revenue

<sup>1</sup> - Data is not available in this format prior to calendar year 2003.

2003		2002		2001		2000		1999	
# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax
24,632	0.0%	22,477	0.0%	16,539	0.0%	13,946	0.0%	13,043	0.0%
74,854	0.0%	73,714	0.0%	75,710	0.0%	73,929	0.0%	75,022	0.1%
114,615	0.1%	115,045	0.1%	113,237	0.1%	116,422	0.1%	122,123	0.2%
132,540	0.5%	134,152	0.5%	131,411	0.5%	134,898	0.5%	142,185	0.8%
137,195	1.1%	139,267	1.2%	139,013	1.2%	144,220	1.2%	151,091	1.4%
133,960	1.8%	136,897	1.9%	136,429	1.9%	140,010	1.9%	143,324	2.1%
239,657	5.3%	243,253	5.6%	244,586	5.5%	243,715	5.2%	239,847	5.6%
268,253	9.6%	271,283	9.9%	269,802	9.3%	263,657	8.7%	255,652	9.4%
286,609	16.5%	291,227	17.1%	290,662	15.9%	283,693	14.9%	270,042	16.2%
163,572	14.7%	161,047	14.7%	159,483	13.5%	150,626	12.2%	135,419	12.6%
202,886	50.4%	196,065	49.0%	203,312	52.1%	203,040	55.3%	170,546	51.6%
1,778,773	100.0%	1,784,427	100.0%	1,780,184	100.0%	1,768,156	100.0%	1,718,294	100.0%

**COLORADO TAX RATES<sup>1</sup>  
2002 to 2011**

Income Tax Rate	Sales Tax Rate
4.63%	2.90%

Source: Colorado Department of Revenue

<sup>1</sup> – Tax rates can be lowered by the General Assembly, but cannot be raised without a vote of the people. Tax rates have remained unchanged since 2001, when Sales Tax was reduced from 3.0 percent to 2.9 percent.

2006		2005		2004		2003	
# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax
3,808	0.1%	3,529	0.1%	3,268	0.1%	2,756	0.1%
3,775	1.4%	3,617	1.0%	2,673	0.8%	2,481	0.6%
7,904	3.1%	7,419	2.8%	6,210	2.6%	6,497	2.4%
32,291	1.6%	30,741	1.6%	29,916	1.4%	28,342	1.6%
85,822	4.8%	75,927	4.4%	73,996	4.1%	68,682	3.8%
78,156	6.8%	78,351	6.6%	77,908	6.0%	66,412	5.7%
409,029	52.2%	392,892	53.5%	388,011	54.4%	371,658	54.7%
5,346	0.4%	5,583	0.3%	4,878	0.3%	4,125	0.2%
163,953	5.8%	149,711	5.9%	144,908	6.3%	127,785	6.5%
37,478	1.0%	35,960	1.0%	33,723	1.0%	33,680	1.1%
72,110	3.7%	71,331	3.6%	70,647	3.7%	64,212	3.6%
71,590	1.8%	74,471	2.0%	89,310	2.4%	105,807	2.9%
23,497	0.6%	21,979	0.7%	20,707	0.6%	19,070	0.6%
5,136	0.2%	4,767	0.2%	4,263	0.2%	3,747	0.1%
12,290	0.2%	11,142	0.2%	10,092	0.2%	8,685	0.1%
16,957	0.6%	14,965	0.6%	13,440	0.6%	11,587	0.6%
20,717	3.3%	20,176	3.1%	19,959	3.1%	20,087	3.2%
121,234	10.0%	116,291	10.0%	110,799	9.9%	105,168	9.8%
85,499	2.1%	83,498	2.2%	79,398	2.1%	72,999	2.2%
10,479	0.3%	9,938	0.2%	7,967	0.2%	8,390	0.2%
1,267,071	100%	1,212,288	100%	1,192,073	100%	1,132,170	100%

**DEBT SERVICE EXPENDITURES  
ALL GOVERNMENTAL FUND TYPES  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

	2010-11	2009-10	2008-09	2007-08
DEBT SERVICE EXPENDITURES:				
Principal	\$ 124,993	\$ 116,083	\$ 109,801	\$ 104,924
Interest	82,829	77,919	78,719	102,652
TOTAL DEBT SERVICE EXPENDITURES	\$ 207,822	\$ 194,002	\$ 188,520	\$ 207,576
Percent Change Over Previous Year	7.1%	2.9%	-9.2%	-2.5%
TOTAL NONCAPITAL EXPENDITURES <sup>1</sup>	16,654,138	16,566,769	15,448,232	14,196,496
TOTAL CAPITAL EXPENDITURES <sup>1</sup>	631,546	478,179	359,518	242,572
TOTAL GOVERNMENTAL EXPENDITURES	17,285,684	17,044,948	15,807,750	14,439,068
DEBT SERVICE EXPENDITURES AS PERCENT OF TOTAL NONCAPITAL EXPENDITURES:				
Principal	0.7%	0.7%	0.7%	0.7%
Interest	0.5%	0.5%	0.5%	0.7%
Total Debt Service Expenditures	1.2%	1.2%	1.2%	1.4%

<sup>1</sup> – For fiscal years prior to 2002-03 capitalizable expenditures for infrastructure are not individually identifiable and are therefore included in Noncapital Expenditures.

**TOTAL OUTSTANDING DEBT<sup>1 2</sup>**

**PRIMARY GOVERNMENT  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

	2010-11	2009-10	2008-09	2007-08
Governmental Activities:				
Revenue Backed Debt	\$ 869,282	\$ 992,436	\$ 1,106,973	\$ 1,216,006
Certificates of Participation	897,632	689,973	162,053	172,864
Capital Leases	107,588	97,130	91,813	60,031
Notes and Mortgages	-	515,000	515,000	460,000
TOTAL GOVERNMENTAL OUTSTANDING DEBT	1,874,502	2,294,539	1,875,839	1,908,901
Business-Type Activities:				
Revenue Backed Debt	2,762,166	2,306,693	3,551,588	3,325,690
Certificates of Participation	430,537	432,698	446,656	210,150
Capital Leases	48,416	83,374	93,773	93,374
Notes and Mortgages	3,503	43,925	4,771	6,211
TOTAL BUSINESS-TYPE OUTSTANDING DEBT	3,244,622	2,866,690	4,096,788	3,635,425
Total Primary Government:				
Revenue Backed Debt	3,631,448	3,299,129	4,658,561	4,541,696
Certificates of Participation	1,328,169	1,122,671	608,709	383,014
Capital Leases	156,004	180,504	185,586	153,405
Notes and Mortgages	3,503	558,925	519,771	466,211
TOTAL OUTSTANDING DEBT <sup>1</sup>	\$ 5,119,124	\$ 5,161,229	\$ 5,972,627	\$ 5,544,326
Percent Change Over Previous Year	-0.8%	-13.6% <sup>3</sup>	7.7%	8.5%
Colorado Population (In Thousands) Restated for Census	4,874	5,049	4,972	4,890
Per Capita Debt (Dollars Per Person) Restated for Census	\$1,050	\$1,022	\$1,201	\$1,134
Per Capita Income (Thousands Per Person)	\$46.0	\$42.2	\$41.3	\$44.2
Per Capita Debt as a Percent of Per Capita Income	2.3%	2.4%	2.9%	2.6%

<sup>1</sup> – General Obligation Debt is prohibited by the State Constitution except to fund buildings for State use, to defend the State or the U.S. (in time of war), or to provide for unforeseen revenue deficiencies.

<sup>2</sup> – Colorado State Constitution requires multiple year obligations to be approved by voters; therefore, there is no specific legal debt limitation.

RESTATED 2006-07	RESTATED 2005-06	RESTATED 2004-05	RESTATED 2003-04	RESTATED 2002-03	2001-02
\$ 100,681	\$ 97,583	\$ 15,574	\$ 11,932	\$ 16,581	\$ 9,245
112,145	106,322	98,829	80,281	82,116	76,096
<b>\$ 212,826</b>	<b>\$ 203,905</b>	<b>\$ 114,403</b>	<b>\$ 92,213</b>	<b>\$ 98,697</b>	<b>\$ 85,341</b>
4.4%	78.2%	24.1%	-6.6%	15.7%	58.5%
13,365,782	12,586,379	11,298,334	10,664,540	10,541,507	10,212,475
233,914	228,077	244,178	488,140	409,971	275,873
13,599,696	12,814,456	11,542,512	11,152,680	10,951,478	10,488,348
0.8%	0.8%	0.1%	0.1%	0.2%	0.1%
0.8%	0.8%	0.9%	0.8%	0.7%	0.7%
1.6%	1.6%	1.0%	0.9%	0.9%	0.8%

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
\$ 1,319,718	\$ 1,418,446	\$ 1,512,987	\$ 1,518,564	\$ 1,273,146	\$ 1,293,196
183,203	196,475	63,332	44,244	57,132	54,406
30,456	17,482	22,308	16,040	8,546	3,473
345,000	415,000	520,000	397,023	-	-
<b>1,878,377</b>	<b>2,047,403</b>	<b>2,118,627</b>	<b>1,975,871</b>	<b>1,338,824</b>	<b>1,351,075</b>
2,935,383	2,304,485	2,063,378	1,578,903	1,553,595	1,240,946
218,916	260,578	75,729	73,724	46,811	54,545
68,621	60,724	90,140	86,531	85,919	47,222
9,463	6,946	9,402	6,262	6,602	1,444
<b>3,232,383</b>	<b>2,632,733</b>	<b>2,238,649</b>	<b>1,745,420</b>	<b>1,692,927</b>	<b>1,344,157</b>
4,255,101	3,722,931	3,576,365	3,097,467	2,826,741	2,534,142
402,119	457,053	139,061	117,968	103,943	108,951
99,077	78,206	112,448	102,571	94,465	50,695
354,463	421,946	529,402	403,285	6,602	1,444
<b>\$ 5,110,760</b>	<b>\$ 4,680,136</b>	<b>\$ 4,357,276</b>	<b>\$ 3,721,291</b>	<b>\$ 3,031,751</b>	<b>\$ 2,695,232</b>
9.2%	7.4%	17.1%	22.7%	12.5%	20.7%
4,804	4,720	4,632	4,575	4,529	4,490
1,064	992	941	913	969	960
442.7	441.2	438.8	436.9	435.3	435.1
2.5%	2.4%	2.4%	2.2%	1.9%	1.7%

3 - Decline was related to the CollegenInvest sale and retirement of bonds previously issued to support purchase and origination of student loans.

REVENUE BOND COVERAGE<sup>1</sup>

Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

Fiscal Year	Gross Revenue	Direct Operating Expense	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
<b>Governmental Funds: Transportation Revenue Anticipation Notes (TRANs)</b>							
2010-11	\$ 1,162,586	\$ 994,596	\$ 167,990	\$ 119,385	\$ 48,605	\$ 167,990	1.00
2009-10	1,104,185	936,194	167,991	113,300	54,691	167,991	1.00
2008-09	980,992	813,000	167,992	107,795	60,197	167,992	1.00
2007-08	167,989	-	167,989	102,475	65,514	167,989	1.00
2006-07	167,982	-	167,982	97,490	70,492	167,982	1.00
2005-06	167,991	-	167,991	92,835	75,156	167,991	1.00
2004-05	84,787	-	84,787	5,870	78,917	84,787	1.00
2003-04	72,875	-	72,875	3,250	69,625	72,875	1.00
2002-03	71,141	-	71,141	10,005	61,136	71,141	1.00
2001-02	66,813	-	66,813	5,070	61,743	66,813	1.00
<b>Enterprise Funds (Excluding Higher Education): State Fair and CollegeInvest<sup>2</sup></b>							
2008-09	\$ 200,753	\$ 34,107	\$ 166,646	\$ 24,000	\$ 17,126	\$ 41,126	4.05
2007-08	351,308	126,788	224,520	155	41,492	41,647	5.39
2006-07	402,013	101,632	300,381	16,155	76,077	92,232	3.26
2005-06	106,230	79,489	26,741	39,747	53,783	93,530	0.29
2004-05	71,365	55,119	16,246	44,077	33,182	77,259	0.21
2003-04	221,271	39,812	181,459	39,012	14,924	53,936	3.36
2002-03	204,866	42,252	162,614	29,142	15,564	44,706	3.64
2001-02	180,471	46,063	134,408	24,834	19,845	44,679	3.01
<b>Higher Education Institutions</b>							
2010-11	\$ 1,025,079	\$ 487,781	\$ 537,298	\$ 64,345	\$ 110,488	\$ 174,833	3.07
2009-10	947,626	477,126	470,499	46,650	85,723	132,373	3.55
2008-09	846,389	450,057	396,332	40,965	69,195	110,160	3.60
2007-08	793,013	420,908	372,105	36,940	58,466	95,406	3.90
2006-07	687,200	391,433	295,767	34,145	48,073	82,218	3.60
2005-06	649,238	376,431	272,807	29,365	45,699	75,064	3.63
2004-05	623,247	354,669	268,578	28,375	30,028	58,403	4.60
2003-04	555,602	329,204	226,398	24,390	29,533	53,923	4.20
2002-03	522,448	332,697	189,751	20,665	24,550	45,215	4.20
2001-02	508,615	311,778	196,837	17,390	18,876	36,266	5.43

<sup>1</sup> - Pledged revenues supporting the Governmental Funds TRANs include primarily federal grants under agreement with the Federal Highway Administration (FHWA). Before Fiscal Year 2009-10, pledged revenue also included a portion of sales and use tax revenues of the General Fund diverted to the Highway Users Tax Fund and the Highway Users Tax Fund revenues. Pledged revenues supporting the Enterprise Funds' borrowings, excluding Higher Education, were primarily student loan repayment amounts at CollegenInvest, which were used to make the required debt service payments. CollegenInvest's loan portfolio was sold in Fiscal Year 2009-10 and related bonds were sold or redeemed. Pledged revenues supporting Higher Education Institutions' borrowings are primarily auxiliary fees related to student housing and tuition.

<sup>2</sup> - At the close of Fiscal Year 2009-10, neither CollegenInvest nor State Fair had any outstanding revenue bonds requiring pledged revenues amount to be reported.

**COLORADO DEMOGRAPHIC DATA  
2002 to 2011**

Year	Population (000)	Percentage Share of U.S. Population	Total Personal Income (Billions)	Per Capita Personal Income (Dollars)	% of U.S. Per Capita Income	Employ- ment (000)	Unemploy- ment %
2011 est	4,874	1.56%	\$ 224.3	\$ 46,020	110.5%	*	8.8%
2010	5,049	1.63	213.2	42,226	105.7	2,448	8.9
2009	4,972	1.62	205.4	41,311	107.3	2,502	8.3
2008	4,890	1.61	216.0	44,172	107.9	2,606	4.8
2007	4,804	1.59	205.2	42,714	108.1	2,598	3.7
2006	4,720	1.58	194.4	41,186	109.2	2,542	4.3
2005	4,632	1.57	179.7	38,795	109.4	2,456	5.1
2004	4,575	1.56	168.6	36,852	108.7	2,393	5.6
2003	4,529	1.56	159.9	35,306	109.3	2,340	6.1
2002	4,490	1.56	157.8	35,145	111.6	2,304	5.7

Source: U.S. Department of Commerce, Bureau of Economic Analysis, U.S. Census Bureau, and Colorado Department of Labor and Employment

\* – Data is not available.

**COLORADO EMPLOYMENT<sup>1</sup>  
BY INDUSTRY  
2002 to 2011  
(AMOUNTS IN THOUSANDS)**

Industry <sup>2</sup>	2011 est	2010 est	2009	2008	2007	2006	2005	2004	2003	2002
Natural Resources and										
Mining	26.0	24.0	24.2	28.5	25.2	21.1	17.2	14.4	13.2	12.9
Construction	106.5	113.5	131.3	161.8	167.8	167.8	160.0	151.3	149.9	160.4
Manufacturing	123.9	124.5	129.6	144.1	147.0	149.1	150.4	151.8	153.9	163.8
Transportation, Trade, and Utilities	400.0	396.5	403.8	429.3	429.2	419.3	413.0	406.6	404.5	412.1
Information	69.9	71.3	74.7	76.8	76.4	75.4	76.9	81.2	84.6	92.9
Financial Activities	144.7	144.0	148.0	155.6	159.5	160.4	158.5	154.6	154.1	149.5
Professional and Business Services	335.1	328.1	330.2	351.9	347.9	331.8	316.8	304.1	292.0	296.2
Educational and Health Services	267.8	264.5	257.2	250.5	240.4	231.2	224.6	218.5	213.0	208.5
Leisure and										
Hospitality	262.6	259.6	262.4	272.9	270.4	264.9	257.5	251.3	245.6	247.0
Other Services	93.8	92.4	93.7	94.8	92.9	90.8	88.5	87.4	85.9	85.6
Government	390.7	392.5	390.5	384.1	374.7	367.2	362.6	358.5	356.2	355.4
Total	2,221.0	2,210.9	2,245.6	2,350.3	2,331.4	2,279.0	2,226.0	2,179.7	2,152.9	2,184.3

Source: Colorado Department of Labor and Employment and the Colorado Business Economic Outlook Committee.

<sup>1</sup> – Provided in lieu of information regarding Colorado's principal employers because employer data could not be obtained.

<sup>2</sup> – Excludes nonagricultural self-employed, unpaid family, and domestic workers.

**VALUE OF TOTAL CONSTRUCTION  
IN COLORADO BY TYPE  
Last Ten Years**

(AMOUNTS IN MILLIONS)

Year	Residential	Non- Residential	Non- Building	Total
2011 est	\$ 2,770	\$ 2,100	\$ 1,700	\$ 6,570
2010 est	2,460	2,100	1,700	6,260
2009	2,501	3,126	1,648	7,275
2008	4,042	4,117	2,542	10,701
2007	7,417	5,260	2,004	14,681
2006	8,708	4,641	3,446	16,795
2005	8,803	4,221	1,788	14,812
2004	8,050	3,291	1,754	13,096
2003	6,258	2,713	1,732	10,703
2002	6,357	2,787	2,162	11,306

Source: F.W. Dodge Company, the Colorado Contractors Association, and the Colorado Business Economic Outlook Committee.

**COLORADO SALES AND  
GROSS FARMING REVENUES  
Last Ten Years**

(AMOUNTS IN BILLIONS)

Year	Retail Sales	Gross Farm Revenues
2011 est	\$ 63.8	\$ 7.03
2010 est	61.1	6.92
2009	58.5	6.83
2008	66.7	7.41
2007	67.3	7.41
2006	61.8	6.70
2005	58.7	6.59
2004	55.8	6.34
2003	52.8	5.92
2002	52.9	5.67

Retail sales based on SIC Codes 52-59.

Source: Colorado Department of Revenue, Colorado Agricultural Statistics Services, and the Colorado Business Economic Outlook Committee.



**DEMAND DRIVERS OF THE PRIMARY GOVERNMENT<sup>1</sup>  
BY FUNCTIONS/PROGRAMS  
Last Ten Years<sup>2</sup>**

	2011	2010	2009	2008
<b>GOVERNMENTAL ACTIVITIES:</b>				
General Government:				
Funds	616	601	593	556
Employees (calculated Average Employment)	66,691	65,325	64,535	61,915
Balance in Treasury Pool (in millions)	\$6,076.2	\$5,902.0	\$5,663.2	\$6,159.4
Business, Community, and Consumer Affairs:				
Professional Licenses at Regulatory Agencies	703,695	702,498	679,836	640,332
Unemployment Rate (percent) <sup>4</sup>	8.8	7.9	7.7	4.9
Employment Level <sup>4</sup>	*	2,447,712	2,492,540	2,596,309
Education:				
Public Schools	1,786	1,817	1,769	1,771
Primary School Students	843,316	832,368	818,443	802,639
Health and Rehabilitation:				
Average Daily Population of Mental Health Institutes <sup>3</sup>	511	554	569	548
Average Daily Population of Regional Centers <sup>3,5</sup>	*	329	378	403
Justice:				
District Court Cases Filed <sup>3</sup>	190,531	188,822	191,749	199,681
County Court Cases Filed <sup>3</sup>	562,185	562,570	554,165	579,069
Inmate Admissions	10,704	10,992	10,992	11,038
Inmate Releases	11,033	10,803	10,803	10,565
Average Daily Inmate Population	22,814	22,980	23,210	22,887
Citations Issued by the State Patrol	125,755 <sup>6</sup>	170,988	170,570	221,544
Crashes Covered by the State Patrol	19,028 <sup>6</sup>	24,123	26,159	27,260
Natural Resources:				
Active Oil and Gas Wells <sup>3</sup>	45,500	45,000	36,000	35,000
Oil and Gas Drilling Permits <sup>3</sup>	5,250	5,000	7,400	6,780
Annual State Park Visitors <sup>3</sup>	12,463,495	11,666,912	13,680,012	11,272,418
Water Loans	288	278	269	258
Social Assistance:				
Medicaid Recipients <sup>3</sup>	553,407	476,632	381,390	383,784
Average Cash Assistance Payments per Month <sup>4</sup>	63,742	58,119	57,200	62,647
Transportation:				
Lane Miles	*	22,982,320	23,060,630	23,036,480
Bridges	*	3,447	3,429	3,406
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Higher-Education:				
Resident Students <sup>3</sup>	156,210	146,531	136,900	135,275
Nonresident Students <sup>3</sup>	12,405	24,869	23,166	22,069
Unemployment Insurance:				
Individuals Served - Employment and Training <sup>3</sup>	615,548	652,570	350,000	300,000
Initial Unemployment Claims <sup>3</sup>	389,769	408,644	120,074	119,561
CollegeInvest: <sup>14</sup>				
Loans Issued or Purchased			268,745 <sup>7</sup>	239,060
Average Balance per Loan			\$6,326 <sup>7</sup>	\$6,328
Lottery:				
Scratch Tickets Sold	98,545,733	99,657,606	104,217,790	101,604,127
Lotto Tickets Sold	39,257,585	41,620,408	43,552,521	41,071,837
Powerball Tickets Sold	70,047,258	101,568,085	100,733,520	109,565,516
Other Lottery Tickets Sold	50,464,834	26,833,674	20,831,732	19,148,564
Wildlife:				
Hunting & Fishing Licenses Sold <sup>3</sup>	1,380,000	1,630,000	2,300,000	1,545,659
College Assist:				
Guaranteed Loans - In State	61,076 <sup>8</sup>	107,402	115,486	140,232
Guaranteed Loans - Out of State	4,961 <sup>8</sup>	41,616	47,892	18,899

Source: JBC Budget in Brief and various State departments.

\* - Data is not available.

<sup>1</sup> - All amounts are counts, except where dollars or percentages are indicated.

<sup>2</sup> - Data is presented by either fiscal year or calendar year based on availability of information.

<sup>3</sup> - Data represents estimates from budgetary documents and is not adjusted to actual.

2007	2006	2005	2004	2003	2002
515	492	484	465	444	434
59,873	58,468	58,046	57,643	58,239	57,974
\$5,250.7	\$4,615.3	\$3,951.1	\$3,174.6	\$2,241.4	\$2,068.5
575,124	576,982	517,597	*	*	*
3.8	4.3	5.1	5.6	6.1	5.7
2,602,015	2,537,037	2,436,795	2,384,562	2,323,554	2,304,109
1,771	1,731	1,667	1,728	1,613	1,658
794,026	780,708	766,657	757,021	751,862	742,145
528	539	539	570	688	699
403	403	403	411	400	397
189,884	187,498	*	*	165,467	160,245
552,592	547,143	*	*	461,847	457,246
10,625	10,168	9,433	8,165	7,799	7,802
10,110	8,954	8,249	7,504	6,977	6,554
22,424	21,438	20,228	19,478	18,636	17,367
226,324	234,052	246,918	206,052	176,869	160,919
28,277	28,648	30,645	33,635	34,133	37,102
34,000	30,000	25,300	24,000	23,423	*
4,200	3,800	2,200	*	*	*
11,475,000	11,869,897	11,190,201	11,565,810	11,170,000	11,400,000
255	244	241	227	213	206
429,233	446,341	375,410	362,654	326,058	304,508
66,728	68,822	68,150	85,339	*	*
22,999,470	23,105,769	23,029,858	23,138,578	23,061,021	22,851,000
3,775	3,757	3,754	3,714	3,698	3,698
136,108	140,601	141,692	135,392	127,632	123,383
20,670	21,380	22,729	22,809	22,824	22,152
270,000	270,000	240,000	200,000	194,000	*
120,290	132,337	176,270	156,594	132,657	*
218,518	200,332	189,522	174,724	168,453	*
\$6,057	\$5,546	\$5,098	\$4,871	\$4,486	*
99,199,686	111,883,645	119,441,166	114,543,013	111,793,347	129,775,201
39,835,761	38,332,996	38,266,176	40,818,461	48,272,866	57,651,698
101,570,695	119,757,642	80,912,792	85,041,776	75,705,463	79,893,821
17,407,163	16,858,542	15,052,291	14,508,537	13,245,564	13,222,846
1,399,978	1,409,064	1,450,000	1,235,551	1,525,679	1,423,377
146,616	*	*	*	*	*
5,080	*	*	*	*	*

<sup>4</sup> - Data represents annual averages of monthly estimates from Department of Labor and Employment and is not adjusted to actual.

<sup>5</sup> - Prior to 2009, this represented Regional Center Residential Beds.

<sup>6</sup> - Calendar data through October 24, 2011

<sup>7</sup> - CollegeInvest sold its loan portfolio during Fiscal Year 2009-10 due to a statutory change resulting from a change in the federal program.

<sup>8</sup> - College Assist's Guaranteed Loans for In-State student decreased due to increased participation by State institutions in the federal direct lending program.

**AVERAGE COUNT OF STATE EMPLOYEES BY FUNCTION  
AND AVERAGE MONTHLY EMPLOYEE SALARY  
Last Ten Fiscal Years**

	2010-11	2009-10	2008-09	2007-08
General Government	2,991	2,399	2,454	2,392
Business, Community, and Consumer Affairs	2,458	2,564	2,437	2,372
Education	38,038	37,093	36,042	34,469
Health and Rehabilitation	3,965	4,019	3,944	3,865
Justice	13,093	12,848	13,000	12,467
Natural Resources	1,579	1,607	1,587	1,583
Social Assistance	1,579	1,704	1,671	1,656
Transportation	2,988	3,091	3,400	3,111
<b>TOTAL AVERAGE EMPLOYMENT</b>	<b>66,691</b>	<b>65,325</b>	<b>64,535</b>	<b>61,915</b>
<b>TOTAL CLASSIFIED</b>	<b>32,927</b>	<b>32,799</b>	<b>32,820</b>	<b>31,995</b>
<b>AVERAGE MONTHLY SALARY</b>	<b>\$ 4,324</b>	<b>\$ 4,367</b>	<b>\$ 4,390</b>	<b>\$ 4,278</b>
<b>TOTAL NON-CLASSIFIED</b>	<b>33,764</b>	<b>32,526</b>	<b>31,715</b>	<b>29,920</b>
<b>AVERAGE MONTHLY SALARY</b>	<b>\$ 5,786</b>	<b>\$ 5,735</b>	<b>\$ 5,723</b>	<b>\$ 5,467</b>

Classified employees are those holding positions within the State Personnel System. Non-classified employees are excluded from the State Personnel System and are not subject to the rule-making authority of the State Personnel Director. Non-classified positions are found primarily in the Judicial Branch, the Legislative Branch, the Governor's cabinet and office staff, the Department of Law, the Department of Education, and as administrators and faculty in the Department of Higher Education.

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
2,322	2,255	2,219	2,180	2,300	2,422
2,335	2,342	2,367	2,343	2,344	2,334
33,464	32,680	32,664	32,595	32,435	31,887
3,774	3,729	3,681	3,717	3,803	3,766
11,791	11,372	11,083	10,767	11,257	11,437
1,522	1,485	1,472	1,446	1,453	1,453
1,593	1,520	1,462	1,482	1,567	1,610
3,072	3,085	3,098	3,113	3,080	3,065
59,873	58,468	58,046	57,643	58,239	57,974
31,075	30,677	30,967	30,770	31,857	32,092
\$ 4,108	\$ 4,036	\$ 3,955	\$ 3,867	\$ 3,913	\$ 3,700
28,798	27,791	27,079	26,873	26,382	25,882
\$ 5,214	\$ 5,066	\$ 4,926	\$ 4,759	\$ 4,788	\$ 4,563

For each State agency, the average salary for full-time employees was divided into the part-time employee payroll amount to determine the average employee count. Average salary was computed as total classified or nonclassified salary divided by related average employee count.

**COLORADO STATE HIGHWAY SYSTEM  
CENTERLINE AND LANE MILES  
2001 TO 2010**

Mileage Type	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>CenterLine Miles<sup>1</sup>:</b>										
Urban	1,389	1,398	1,400	1,398	1,419	1,411	1,421	1,421	1,038	1,033
Rural	7,720	7,748	7,744	7,736	7,742	7,737	7,736	7,736	8,105	8,104
<b>TOTAL CENTERLINE MILES</b>	<b>9,109</b>	<b>9,146</b>	<b>9,144</b>	<b>9,134</b>	<b>9,161</b>	<b>9,148</b>	<b>9,157</b>	<b>9,157</b>	<b>9,143</b>	<b>9,137</b>
Percent Change	-0.4%	0.0%	0.1%	-0.3%	0.1%	-0.1%	0.0%	0.2%	0.1%	0.6%
<b>Lane Miles<sup>2</sup>:</b>										
Urban	5,327	5,352	5,238	5,232	5,322	5,247	5,262	5,236	4,058	4,031
Rural	17,654	17,709	17,798	17,767	17,784	17,784	17,875	17,825	18,792	18,782
<b>TOTAL LANE MILES</b>	<b>22,981</b>	<b>23,061</b>	<b>23,036</b>	<b>22,999</b>	<b>23,106</b>	<b>23,031</b>	<b>23,137</b>	<b>23,061</b>	<b>22,850</b>	<b>22,813</b>
Percent Change	-0.3%	0.1%	0.2%	-0.5%	0.3%	-0.5%	0.3%	0.9%	0.2%	0.5%

Source: Colorado Department of Transportation

<sup>1</sup> – Centerline miles measure roadway miles without accounting for the number of lanes.

<sup>2</sup> – Lane miles measure the total distance of all roadway lanes, and are therefore a better indicator of actual maintenance requirements.

**COLORADO STATE-OWNED BRIDGES  
BY FUNCTIONAL CLASSIFICATION  
2002 to 2010<sup>3</sup>**

Functional Classification	2010	2009	2008	2007	2006	2005	2004	2003	2002
Principal Arterial <sup>1</sup>	1,376	1,368	1,341	1,686	1,678	1,680	1,676	1,949	1,945
Other Principal Arterial <sup>2</sup>	801	794	795	911	884	943	894	321	322
Minor Arterial	759	761	773	802	798	787	798	818	817
Collector	431	426	404	350	368	319	326	403	405
Local	80	80	93	26	29	25	20	207	209
<b>TOTAL BRIDGES</b>	<b>3,447</b>	<b>3,429</b>	<b>3,406</b>	<b>3,775</b>	<b>3,757</b>	<b>3,754</b>	<b>3,714</b>	<b>3,698</b>	<b>3,698</b>
Percent Change	0.5%	0.7%	-9.8%	0.5%	0.1%	1.1%	0.4%	0.0%	NA

Source: Colorado Department of Transportation

<sup>1</sup> – Includes interstate, expressways, and freeways.

<sup>2</sup> – Prior to 2004, Other Principal Arterials in rural areas were included in the Principal Arterial category.

<sup>3</sup> – Data is not available in this format prior to calendar year 2002.

**BUILDING SQUARE FOOTAGE  
OWNED BY THE PRIMARY GOVERNMENT  
BY FUNCTIONS/PROGRAMS  
Last Four Years<sup>2</sup>**

	2011	2010	2009	2008
<b>GOVERNMENTAL ACTIVITIES:</b>				
General Government	3,069,547	3,043,068	2,549,944	2,982,413
Business, Community, and Consumer Affairs <sup>1</sup>	980,198	980,198	981,809	937,389
Education	326,602	317,894	317,884	317,884
Health and Rehabilitation	1,476,587	1,489,338	1,365,606	1,561,507
Justice	8,404,174	8,398,319	8,103,126	8,047,872
Natural Resources	1,729,810	1,729,810	1,210,477	1,672,897
Social Assistance	1,836,385	1,824,175	1,700,847	1,351,964
Transportation	3,207,047	3,206,451	2,575,421	2,575,421
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Higher Education	47,701,898	46,277,915	44,026,204	41,437,896
Wildlife	1,109,004	1,109,004	1,065,240	901,526
<b>TOTAL</b>	<b>69,841,252</b>	<b>68,376,172</b>	<b>63,896,558</b>	<b>61,786,769</b>

Source: Colorado Office of the State Architect

<sup>1</sup> – Building information for Unemployment Insurance (a business-type activity) cannot be segregated from the Colorado Department of Labor and Employment which is included in Business, Community, and Consumer Affairs.

<sup>2</sup> – Data not available prior to 2008.

**BUILDING SQUARE FOOTAGE  
LEASED BY THE PRIMARY GOVERNMENT  
BY FUNCTIONS/PROGRAMS  
Last Four Years<sup>2</sup>**

	2011	2010	2009	Restated 2008
<b>GOVERNMENTAL ACTIVITIES:</b>				
General Government	210,576	276,602	288,210	199,967
Business, Community, and Consumer Affairs <sup>1</sup>	585,944	517,447	515,708	508,439
Education	31,999	28,531	19,440	9,396
Health and Rehabilitation	458,959	455,218	420,272	434,469
Justice	463,506	857,026	868,060	850,185
Natural Resources	81,926	65,735	73,546	49,495
Social Assistance	56,881	55,801	34,459	28,963
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Higher Education	1,358,597	1,199,672	1,243,524	1,294,663
CollegeInvest	8,544	18,983	15,318	15,318
Lottery	66,684	59,915	61,682	61,682
Wildlife	73,064	73,064	15,267	75,944
College Assist	10,139	12,807	12,807	12,807
<b>TOTAL</b>	<b>3,406,819</b>	<b>3,620,801</b>	<b>3,568,293</b>	<b>3,541,328</b>

Source: Colorado Office of the State Architect

<sup>1</sup> – Building information for Unemployment Insurance (a business-type activity) cannot be segregated from the Colorado Department of Labor and Employment which is included in Business, Community, and Consumer Affairs.

<sup>2</sup> – Data not available prior to 2008.

**OTHER COLORADO FACTS**

**Important Dates**

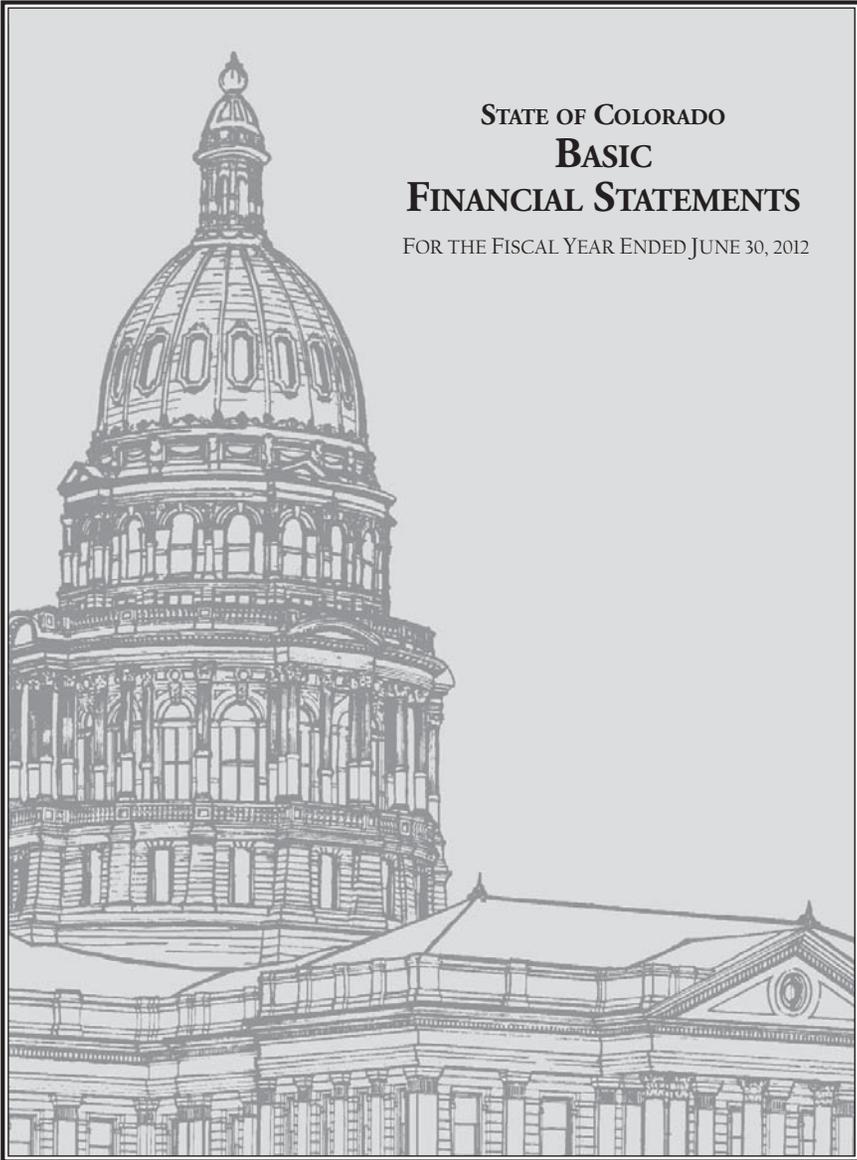
- 1803 The United States purchases land, including what is now most of eastern Colorado, from France in the Louisiana Purchase.
- 1806 Lt. Zebulon M. Pike and a small party of U.S. soldiers sent to explore the southwestern boundary of the Louisiana Purchase discover the peak that bears his name but fail in their effort to climb it. However, they do reach the headwaters of the Arkansas River near Leadville.
- 1848 By the Treaty of Guadalupe Hidalgo, Mexico cedes to the United States most of that part of Colorado not acquired by the Louisiana Purchase.
- 1858 Gold is discovered along Cherry Creek near present day Denver.
- 1861 Congress establishes the Colorado Territory with the boundaries of the present State and chooses its name from the Spanish word for “colored red.” President Lincoln appoints William Gilpin as the first territorial governor. The State Supreme Court is organized. The first assembly meets and creates 17 counties, authorizes the University of Colorado, and selects Colorado City as the territorial capital.
- 1867 Denver is established as the permanent seat of the territorial government by the legislature meeting in Golden.
- 1870 The Denver Pacific Railroad is completed to Denver.
- 1876 Colorado is admitted to the Union as the 38<sup>th</sup> state. John L. Routt is elected the first governor.
- 1877 The University of Colorado opens classes at Boulder with two teachers and forty-four students.
- 1894 The State Capitol Building, designed by Elijah E. Meyers, is completed at a cost of \$2.5 million. Colorado becomes the second state, after Wyoming, to extend suffrage to women.
- 1906 The U.S. Mint at Denver issues its first coins.
- 1958 The U.S. Air Force Academy’s permanent campus opens near Colorado Springs.
- 1992 TABOR amendment is added to the State Constitution.

**Geography**

Area: 103,718 square miles.  
 Highest Elevation: Mt Elbert – 14,433 feet above sea level.  
 Lowest Elevation: Along the Arikaree River in Yuma County – 3,315 feet above sea level.  
 Colorado has the highest average elevation of all fifty states – 6,800 feet above sea level.

**State Symbols and Emblems**

- State Motto** – Nil Sine Numine –  
Nothing Without the Deity
- State Nickname** – Centennial State
- State Animal** – Rocky Mountain Bighorn Sheep
- State Bird** – Lark Bunting
- State Fish** – Greenback Cutthroat Trout
- State Flower** – White and Lavender Columbine
- State Folk Dance** – Square Dance
- State Fossil** – Stegosaurus
- State Songs** – “Where the Columbine Grow” and  
“Rocky Mountain High”
- State Gemstone** – Aquamarine
- State Grass** – Blue Grama Grass
- State Insect** – Colorado Hairstreak Butterfly
- State Mineral** – Rhodochrosite
- State Reptile** – Western Painted Turtle
- State Rock** – Yule Marble
- State Tree** – Colorado Blue Spruce



STATE OF COLORADO  
**BASIC**  
**FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012



# State of Colorado



John W. Hickenlooper  
Governor

Kathy Nesbitt  
Executive Director

Jennifer Okes  
Deputy Executive Director

David J. McDermott  
State Controller

## DPA

Department of Personnel  
& Administration

Office of the State Controller  
633 17th Street, Suite 1500  
Denver, Colorado 80202  
(303) 866-6200  
Fax (303) 866-4233  
[www.colorado.gov/dpa](http://www.colorado.gov/dpa)

September 20, 2012

The Honorable John W. Hickenlooper  
Governor  
State of Colorado

The Honorable Frank McNulty  
Speaker of the House  
Colorado General Assembly

The Honorable Brandon C. Shaffer  
President of the Senate  
Colorado General Assembly

Dear Sirs:

The attached Basic Financial Statements for the State of Colorado are submitted to you to comply with CRS 24-30-204. The financial statements are prepared in accordance with generally accepted accounting principles except for the budgetary statements, which report certain payroll, purchased service from the Governor's Office of Information Technology, Medicaid, and other legislatively specified expenditures on a cash basis. The financial statements are unaudited. The State Auditor's opinion is anticipated by mid-December 2012 and will be included in the Comprehensive Annual Financial Report that I expect to issue in late December 2012.

In accordance with the filing requirements contained in the Information Coordination Act enacted in Senate Bill 12-152, we will also distribute the report to the State and Legislative Libraries.

If you have questions please contact me.

Sincerely,

David J. McDermott, CPA  
Colorado State Controller

Attachment

cc: Kathy Nesbitt, Department of Personnel & Administration  
Henry Sobanet, Office of State Planning & Budgeting



**STATE OF COLORADO  
BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**STATEMENT OF NET POSITION  
JUNE 30, 2012**

(DOLLARS IN THOUSANDS)	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Cash and Pooled Cash	\$ 1,969,331	\$ 2,011,437	\$ 3,980,768	\$ 236,458
Investments	1,726	160,099	161,825	81,495
Restricted Securities Not Held for Investment	-	-	-	27,492
Taxes Receivable, net	1,012,147	159,303	1,171,450	-
Contributions Receivable, net	-	-	-	41,656
Other Receivables, net	155,599	333,928	489,527	194,991
Due From Other Governments	318,185	218,667	536,852	2,070
Internal Balances	20,031	(20,031)	-	-
Due From Component Units	137	18,715	18,852	-
Inventories	17,057	53,318	70,375	17,069
Prepays, Advances, and Deferred Charges	53,961	24,160	78,121	10,332
<b>Total Current Assets</b>	<b>3,548,174</b>	<b>2,959,596</b>	<b>6,507,770</b>	<b>611,563</b>
<b>Noncurrent Assets:</b>				
Restricted Cash and Pooled Cash	1,779,414	370,939	2,150,353	131,491
Restricted Investments	591,083	295,228	886,311	496,726
Restricted Receivables	181,932	80,975	262,907	22,337
Restricted Securities Not Held for Investment	-	-	-	18,996
Investments	416,674	1,768,347	2,185,021	2,383,064
Contributions Receivable, net	-	-	-	55,424
Net Pension Asset	-	-	-	6,800
Other Long-Term Assets	712,736	122,338	835,074	1,255,574
Depreciable Capital Assets and Infrastructure, net	9,589,172	5,251,191	14,840,363	678,575
Land and Nondepreciable Infrastructure	1,917,257	1,019,556	2,936,813	63,756
<b>Total Noncurrent Assets</b>	<b>15,188,268</b>	<b>8,908,574</b>	<b>24,096,842</b>	<b>5,112,743</b>
<b>TOTAL ASSETS</b>	<b>18,736,442</b>	<b>11,868,170</b>	<b>30,604,612</b>	<b>5,724,306</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>	<b>-</b>	<b>5,005</b>	<b>5,005</b>	<b>-</b>
<b>LIABILITIES:</b>				
<b>Current Liabilities:</b>				
Tax Refunds Payable	661,829	-	661,829	-
Accounts Payable and Accrued Liabilities	677,041	623,195	1,300,236	114,703
TABOR Refund Liability (Note 8B)	706	-	706	-
Due To Other Governments	228,229	53,622	281,851	1,335
Due To Component Units	-	-	-	123
Deferred Revenue	118,411	237,530	355,941	11,291
Accrued Compensated Absences	9,859	14,942	24,801	17,902
Claims and Judgments Payable	44,858	122	44,980	23,309
Leases Payable	14,387	5,853	20,240	700
Notes, Bonds, and COPs Payable	162,705	243,588	406,293	73,806
Other Postemployment Benefits	-	15,721	15,721	-
Other Current Liabilities	16,531	110,545	127,076	182,936
<b>Total Current Liabilities</b>	<b>1,934,556</b>	<b>1,305,241</b>	<b>3,239,797</b>	<b>425,982</b>
<b>Noncurrent Liabilities:</b>				
Due to Other Funds	-	-	-	-
Deposits Held In Custody For Others	16	-	16	269,961
Accrued Compensated Absences	132,394	219,026	351,420	-
Claims and Judgments Payable	330,516	36,472	366,988	-
Capital Lease Payable	107,042	33,185	140,227	2,032
Derivative Instrument Liability	-	12,994	12,994	-
Notes, Bonds, and COPs Payable	1,614,258	3,946,554	5,560,812	1,797,695
Due to Component Units	-	1,758	1,758	-
Other Postemployment Benefits	-	139,653	139,653	-
Other Long-Term Liabilities	427,828	39,015	466,843	110,537
<b>Total Noncurrent Liabilities</b>	<b>2,612,054</b>	<b>4,428,657</b>	<b>7,040,711</b>	<b>2,180,225</b>
<b>TOTAL LIABILITIES</b>	<b>4,546,610</b>	<b>5,733,898</b>	<b>10,280,508</b>	<b>2,606,207</b>
<b>NET POSITION:</b>				
Net investment in Capital Assets:	10,107,776	3,254,165	13,361,941	213,396
<b>Restricted for:</b>				
Construction and Highway Maintenance	1,176,269	-	1,176,269	-
Education	280,270	-	280,270	-
Unemployment Insurance	-	189,393	189,393	-
Debt Service	21,453	7,464	28,917	-
Emergencies	72,850	10,005	82,855	29
Permanent Funds and Endowments:	-	-	-	-
Expendable	6,024	6,975	12,999	744,500
Nonexpendable	684,953	79,675	764,628	594,144
Other Purposes	337,991	610,900	948,891	607,829
Unrestricted	1,502,246	1,980,700	3,482,946	958,201
<b>TOTAL NET POSITION</b>	<b>\$ 14,189,832</b>	<b>\$ 6,139,277</b>	<b>\$ 20,329,109</b>	<b>\$ 3,118,099</b>

The notes to the financial statements are an integral part of this statement.

UNAUDITED

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

(DOLLARS IN THOUSANDS)	Expenses		Program Revenues		
	Expenses	Indirect Cost Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
General Government	\$ 245,390	\$ (21,049)	\$ 120,790	\$ 283,736	\$ 272
Business, Community, and Consumer Affairs	598,020	2,012	127,748	276,687	3
Education	5,203,409	1,692	22,352	805,018	13
Health and Rehabilitation	702,513	1,159	79,516	411,000	-
Justice	1,549,569	5,716	191,439	76,155	366
Natural Resources	92,724	1,161	155,445	55,189	-
Social Assistance	6,743,634	3,034	683,229	3,867,790	-
Transportation	1,775,153	2,335	405,275	113,102	599,646
Interest on Debt	40,935	-	-	-	-
<b>Total Governmental Activities</b>	<b>16,951,347</b>	<b>(3,940)</b>	<b>1,785,794</b>	<b>5,888,677</b>	<b>600,300</b>
<b>Business-Type Activities:</b>					
Higher Education	5,061,407	2,312	3,263,206	1,789,434	128,777
Unemployment Insurance	1,571,321	-	831,765	924,039	-
Lottery	495,216	607	560,375	344	-
Wildlife	160,028	439	133,564	28,908	3,290
College Assist	402,860	156	5,431	402,575	-
Other Business-Type Activities	196,091	426	289,633	18,206	-
<b>Total Business-Type Activities</b>	<b>7,886,923</b>	<b>3,940</b>	<b>5,083,974</b>	<b>3,163,506</b>	<b>132,067</b>
<b>Total Primary Government</b>	<b>24,838,270</b>	<b>-</b>	<b>6,869,768</b>	<b>9,052,183</b>	<b>732,367</b>
<b>Component Units:</b>					
University of Colorado Hospital Authority	745,108	-	847,564	3,585	1,568
Colorado Water Resources and Power Development Authority	73,467	-	50,956	31,070	-
University of Colorado Foundation	120,512	-	5,100	200,974	-
Colorado State University Foundation	25,738	-	-	73,146	-
Colorado School of Mines Foundation	26,681	-	-	39,304	-
Other Component Units	136,246	-	102,693	2,931	1,299
<b>Total Component Units</b>	<b>\$ 1,127,752</b>	<b>\$ -</b>	<b>\$ 1,006,313</b>	<b>\$ 351,010</b>	<b>\$ 2,867</b>
<b>General Revenues:</b>					
<b>Taxes:</b>					
Sales and Use Taxes					
Excise Taxes					
Individual Income Tax					
Corporate Income Tax					
Other Taxes					
Restricted for Education:					
Individual Income Tax					
Corporate and Fiduciary Income Tax					
Other Taxes					
Restricted for Transportation:					
Fuel Taxes					
Other Taxes					
Unrestricted Investment Earnings (Losses)					
Other General Revenues					
Payment from State of Colorado (Transfers-Out) / Transfers-In					
Permanent Fund Additions					
<b>Total General Revenues, Special Items, and Transfers</b>					
<b>Change in Net Position</b>					
Net Position - Fiscal Year Beginning					
Prior Period Adjustment (See Note 29)					
<b>Net Position - Fiscal Year Ending</b>					

The notes to the financial statements are an integral part of this statement.

UNAUDITED

COLORADO BASIC FINANCIAL STATEMENTS • 7

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-Type Activities	Total	
\$ 180,457	\$ -	\$ 180,457	
(195,594)	-	(195,594)	
(4,377,718)	-	(4,377,718)	
(213,156)	-	(213,156)	
(1,287,325)	-	(1,287,325)	
116,749	-	116,749	
(2,195,649)	-	(2,195,649)	
(659,465)	-	(659,465)	
(40,935)	-	(40,935)	
<u>(8,672,636)</u>	<u>-</u>	<u>(8,672,636)</u>	
-	117,698	117,698	
-	184,483	184,483	
-	64,896	64,896	
-	5,295	5,295	
-	4,990	4,990	
-	111,322	111,322	
-	488,684	488,684	
<u>(8,672,636)</u>	<u>488,684</u>	<u>(8,183,952)</u>	
-	-	-	107,609
-	-	-	8,559
-	-	-	85,562
-	-	-	47,408
-	-	-	12,623
-	-	-	(29,323)
-	-	-	<u>232,438</u>
2,330,030	-	2,330,030	23
244,618	-	244,618	-
4,651,746	-	4,651,746	-
431,976	-	431,976	-
519,870	-	519,870	-
378,082	-	378,082	-
35,404	-	35,404	-
3,617	-	3,617	-
557,755	-	557,755	-
529	-	529	-
15,893	-	15,893	175,156
95,325	-	95,325	-
-	-	-	43,937
(131,340)	131,340	-	-
595	-	595	-
<u>9,134,100</u>	<u>131,340</u>	<u>9,265,440</u>	<u>219,116</u>
461,464	620,024	1,081,488	451,554
13,393,108	5,264,683	18,657,791	2,666,545
335,260	254,570	589,830	-
<u>\$ 14,189,832</u>	<u>\$ 6,139,277</u>	<u>\$ 20,329,109</u>	<u>\$ 3,118,099</u>

UNAUDITED

8 • COLORADO BASIC FINANCIAL STATEMENTS

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
(DOLLARS IN THOUSANDS)			
ASSETS:			
Cash and Pooled Cash	\$ 596,411	\$ 512,884	\$ 35,731
Taxes Receivable, net	1,195,898	41,113	-
Other Receivables, net	56,867	21,680	3,069
Due From Other Governments	296,752	614	14
Due From Other Funds	62,792	1,375	1,409
Due From Component Units	137	-	-
Inventories	6,942	270	8,406
Prepays, Advances, and Deferred Charges	24,175	21,003	64
Restricted Cash and Pooled Cash	242,543	-	1,161,468
Restricted Investments	-	-	-
Restricted Receivables	216	-	181,592
Investments	290,203	-	-
Other Long-Term Assets	8,880	397,624	13,162
Depreciable Capital Assets and Infrastructure, net	-	-	-
Capital Assets Held as Investments	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 2,781,816</b>	<b>\$ 996,563</b>	<b>\$ 1,404,915</b>
LIABILITIES:			
Tax Refunds Payable	\$ 656,124	5,438	\$ 131
Accounts Payable and Accrued Liabilities	430,807	6,383	99,993
TABOR Refund Liability (Note BB)	706	-	-
Due To Other Governments	81,213	63,766	61,213
Due To Other Funds	98,137	285	721
Deferred Revenue	273,976	16,094	19,839
Compensated Absences Payable	112	-	-
Claims and Judgments Payable	317	-	-
Other Current Liabilities	8,943	-	25
Deposits Held In Custody For Others	9	-	-
<b>TOTAL LIABILITIES</b>	<b>1,550,344</b>	<b>91,966</b>	<b>181,922</b>
FUND BALANCES:			
Nonspendable:			
Long-term Portion of Interfund Loans Receivable	-	-	-
Inventories	6,942	270	8,406
Permanent Fund Principal	-	-	-
Prepays	24,175	21,003	64
Restricted	508,658	13,675	1,176,269
Committed	330,895	869,649	38,254
Assigned	20	-	-
Unassigned	360,782	-	-
<b>TOTAL FUND BALANCES</b>	<b>1,231,472</b>	<b>904,597</b>	<b>1,222,993</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,781,816</b>	<b>\$ 996,563</b>	<b>\$ 1,404,915</b>

The notes to the financial statements are an integral part of this statement.

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COLORADO BASIC FINANCIAL STATEMENTS • 9

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ 39,549	\$ -	\$ 758,571	\$ 1,943,146
-	-	37,849	1,274,860
1,941	2	71,310	154,869
2,749	-	17,465	317,594
7,465	59,000	18,138	150,179
-	-	-	137
-	-	14	15,632
-	-	7,598	52,840
3,815	139,703	231,885	1,779,414
32,407	-	558,676	591,083
124	-	-	181,932
-	-	128,197	418,400
92	-	19,257	439,015
-	-	-	-
-	-	52,367	52,367
<b>\$ 88,142</b>	<b>\$ 198,705</b>	<b>\$ 1,901,327</b>	<b>\$ 7,371,468</b>
\$ -	\$ -	\$ 136	\$ 661,829
34,999	3,867	54,311	630,360
-	-	-	706
-	-	22,037	228,229
102	85	52,804	152,134
289	-	70,848	381,046
-	-	-	112
-	-	84	401
-	-	4,302	13,270
-	-	7	16
35,390	3,952	204,529	2,068,103
-	-	-	-
-	-	14	15,632
-	-	737,239	737,239
-	-	7,598	52,840
19,957	194,753	260,801	2,174,113
32,795	-	691,146	1,962,739
-	-	-	20
-	-	-	360,782
52,752	194,753	1,696,798	5,303,365
<b>\$ 88,142</b>	<b>\$ 198,705</b>	<b>\$ 1,901,327</b>	<b>\$ 7,371,468</b>

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GOVERNMENTAL FUNDS BALANCE SHEET  
RECONCILED TO  
STATEMENT OF NET POSITION  
JUNE 30, 2012

	(A)	(B)	(C)	(D)	(E)	(F)
(DOLLARS IN THOUSANDS)						
	TOTAL GOVERNMENTAL FUNDS	INTERNAL SERVICE FUNDS	CAPITAL ASSET BALANCES	DEBT RELATED BALANCES	CENTRALIZED RISK MANAGEMENT LIABILITIES	OTHER MEASUREMENT FOCUS ADJUSTMENTS
						INTERNAL BALANCES ELIMINATION
						STATEMENT OF NET POSITION TOTALS
<b>ASSETS:</b>						
Current Assets:						
Cash and Pooled Cash	\$ 1,943,146	\$ 26,185	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	1,726
Taxes Receivable, net	1,274,860	446	-	-	-	(262,713)
Other Receivables, net	154,869	-	-	-	-	284
Due From Other Governments	317,594	591	-	-	-	-
Due From Other Funds	150,179	1,626	-	-	-	(131,774)
Due From Component Units	137	-	-	-	-	-
Inventories	15,632	1,425	-	-	-	-
Prepays, Advances, and Deferred Charges	52,840	1,121	-	-	-	-
Total Current Assets	3,909,257	31,394	-	-	-	(260,703)
Noncurrent Assets:						
Restricted Cash and Pooled Cash	1,779,414	-	-	-	-	-
Restricted Investments	591,083	-	-	-	-	-
Restricted Receivables	181,932	-	-	-	-	-
Investments	418,400	-	-	-	-	(1,726)
Other Long-Term Assets	439,015	6	-	-	-	273,715
Depreciable Capital Assets and Infrastructure, net	-	69,994	9,520,178	-	-	-
Land and Nondepreciable Infrastructure	52,367	1,040	1,863,850	-	-	-
Total Noncurrent Assets	3,462,211	70,040	11,384,028	-	-	271,989
<b>TOTAL ASSETS</b>	<b>7,371,468</b>	<b>101,434</b>	<b>11,384,028</b>	<b>-</b>	<b>-</b>	<b>11,286</b>
						(131,774)
						18,736,442
<b>LIABILITIES:</b>						
Current Liabilities:						
Tax Refunds Payable	661,829	-	-	-	-	-
Accounts Payable and Accrued Liabilities	630,360	14,697	-	11,574	-	20,410
TABOR Refund Liability (Note 8B)	706	-	-	-	-	706
Due To Other Governments	228,229	-	-	-	-	-
Due To Other Funds	152,134	50	-	-	-	(20,410)
Due To Component Units	-	-	-	-	-	(131,774)
Deferred Revenue	381,046	78	-	-	-	(262,713)
Obligations Under Securities Lending	-	-	-	-	-	-
Compensated Absences Payable	112	103	-	-	-	9,644
Claims and Judgments Payable	401	-	-	-	33,253	11,204
Leases Payable	-	10,669	-	3,718	-	-
Notes, Bonds, and COPs Payable	-	2,070	-	160,635	-	-
Other Current Liabilities	13,270	203	-	-	-	3,058
Total Current Liabilities	2,068,087	27,870	-	175,927	33,253	(238,807)
Noncurrent Liabilities:						
Deposits Held in Custody For Others	16	-	-	-	-	-
Accrued Compensated Absences	-	6,819	-	-	-	125,575
Claims and Judgments Payable	-	-	-	-	106,239	224,277
Capital Lease Payable	-	52,776	-	54,266	-	-
Notes, Bonds, and COPs Payable	-	2,626	-	1,611,632	-	-
Other Long-Term Liabilities	-	-	-	-	-	427,828
Total Noncurrent Liabilities	16	62,221	-	1,665,988	106,239	777,680
<b>TOTAL LIABILITIES</b>	<b>2,068,103</b>	<b>90,091</b>	<b>-</b>	<b>1,841,825</b>	<b>139,492</b>	<b>538,873</b>
						(131,774)
						4,546,610
<b>NET POSITION:</b>						
Net investment in Capital Assets:	52,367	1,893	11,384,028	(1,330,512)	-	-
Restricted for:						
Construction and Highway Maintenance	1,192,848	-	-	(16,579)	-	-
Education	542,947	-	-	(262,677)	-	-
Debt Service	21,453	-	-	-	-	-
Emergencies	72,850	-	-	-	-	-
Permanent Funds and Endowments:						
Expendable	6,024	-	-	-	-	6,024
Nonexpendable	684,953	-	-	-	-	684,953
Other Purposes	337,991	-	-	-	-	337,991
Unrestricted	2,391,932	9,450	-	(232,057)	(139,492)	(527,587)
<b>TOTAL NET POSITION</b>	<b>\$ 5,303,365</b>	<b>\$ 11,343</b>	<b>\$ 11,384,028</b>	<b>\$ (1,841,825)</b>	<b>\$ (139,492)</b>	<b>\$ (527,587)</b>
						\$ -
						\$ 14,189,832

The notes to the financial statements are an integral part of this statement.

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**Differences Between the Balance Sheet – Governmental Funds and Governmental Activities on the Government-Wide Statement of Net Position**

- (A) Management uses Internal Services Funds to report the charges for and the costs of goods and services sold by state agencies solely within the state. Because the sales are primarily to governmental funds, the assets and liabilities of the Internal Service Funds are included in the governmental activities on the government-wide *Statement of Net Position*. Internal Service Funds are reported using proprietary fund-type accounting in the fund-level financial statements. In addition to minor internal sales within the Department of Transportation and the Department of Public Safety, the State's Internal Service Funds provide the following goods and services to nearly all state agencies:
- Fleet management,
  - Printing and mail services,
  - Information technology and telecommunication services,
  - Building maintenance and management in the capitol complex,
  - Administrative court services, and
  - Debt collection.
- (B) Capital assets used in governmental activities are not current financial resources, and therefore, they are not included in the fund-level financial statements. However, capital assets are economic resources and are reported in the government-wide *Statement of Net Position*.
- (C) Long-term liabilities such as leases, bonds, notes, mortgages, and Certificates of Participation (including accrued interest) are not due and payable in the current period, and therefore, they are not included in the fund-level financial statements. However, from an economic perspective these liabilities reduce net position and are reported in the *Statement of Net Position*. The portion reported as current in the reconciliation is payable within the following fiscal year. The largest single portion of the long-term balance is related to Transportation Revenue Anticipation Notes issued by the Department of Transportation.
- (D) Risk management liabilities are actuarially determined claims and consist of a current and long-term portion. Generally accepted accounting principles (GAAP) list claims and judgments as an exception to the full accrual basis of accounting that constitutes the modified accrual basis of accounting. The current portion (payable within one year) is excluded from the fund-level statements because it is not payable with expendable available financial resources. In this instance, "payable with expendable available financial resources" means the amounts are not accrued as fund liabilities because they are not budgeted in the current year. The long-term portion of the risk management liability is excluded from the fund-level statements because it is not due and payable in the current period.
- (E) Other measurement focus adjustments include:
- Interfund balances receivable from or payable to fiduciary funds are reported on the fund-level *Balance Sheet – Governmental Funds* as due from/to other funds. On the government-wide *Statement of Net Position*, these amounts are considered external receivables and payables.
  - Long-term assets and long-term taxes receivable are not available to pay for current period expenditures; therefore, the related revenue is reported as deferred revenue on the fund-level *Balance Sheet – Governmental Funds*. From an economic perspective, this revenue is earned and the related deferred revenue is removed from the government-wide *Statement of Net Position* when the revenue is recognized on the government-wide *Statement of Activities*.
  - Compensated absences are a GAAP modification of the full accrual basis of accounting similar to claims and judgments discussed above. Therefore, both the current and long-term portions of the liability are shown on the government-wide *Statement of Net Position*, but they are not reported on the fund-level *Balance Sheet – Governmental Funds*.
  - Claims and Judgments Payable and other long-term liabilities are not reported on the fund-level *Balance Sheet – Governmental Funds* because the amounts are not due and payable from current financial resources. However, from an economic perspective, these liabilities reduce net position, and they are therefore reported on the government-wide *Statement of Net Position*.
- (F) All interfund payable balances shown on the fund-level *Balance Sheet – Governmental Funds* are reported in the internal balances line on the government-wide *Statement of Net Position* along with all governmental-activities interfund receivables.

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**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2012**

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
<b>REVENUES:</b>			
Taxes:			
Individual and Fiduciary Income	\$ 4,634,798	\$ -	\$ -
Corporate Income	459,175	-	-
Sales and Use	2,293,837	-	-
Excise	93,897	-	557,754
Other Taxes	198,135	199,437	529
Licenses, Permits, and Fines	20,949	1,692	337,346
Charges for Goods and Services	75,480	7,148	120,766
Rents	418	13	1,486
Investment Income (Loss)	29,456	21,371	15,472
Federal Grants and Contracts	5,209,047	174,564	615,172
Additions to Permanent Funds	-	-	-
Unclaimed Property Receipts	-	-	-
Other	137,618	4,534	77,882
<b>TOTAL REVENUES</b>	<b>13,152,810</b>	<b>408,759</b>	<b>1,726,407</b>
<b>EXPENDITURES:</b>			
Current:			
General Government	275,590	-	10,219
Business, Community, and Consumer Affairs	175,814	3,907	-
Education	600,654	-	-
Health and Rehabilitation	544,105	-	10,158
Justice	1,194,324	-	87,466
Natural Resources	39,065	41,920	-
Social Assistance	5,862,232	-	-
Transportation	-	-	979,697
Capital Outlay	217,358	12,128	37,564
Intergovernmental:			
Cities	61,098	36,309	139,811
Counties	1,090,109	27,458	189,076
School Districts	3,575,697	3,480	-
Special Districts	45,619	15,470	27,390
Federal	17	774	-
Other	40,476	2,452	638
Debt Service	29,224	-	-
<b>TOTAL EXPENDITURES</b>	<b>13,751,382</b>	<b>143,898</b>	<b>1,482,019</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(598,572)</b>	<b>264,861</b>	<b>244,388</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers-In	4,152,046	298	2,165
Transfers-Out	(3,075,668)	(226,392)	(231,299)
Face Amount of Bond/COP Issuance	146,635	-	-
Bond/COP Premium/Discount	12,778	-	-
Capital Lease Proceeds	17,043	-	-
Sale of Capital Assets	-	-	-
Insurance Recoveries	636	-	4,362
Bond/COP Refunding Issuance	-	-	144,342
Bond/COP Refunding Payments	-	-	(143,978)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,253,470</b>	<b>(226,094)</b>	<b>(224,408)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>654,898</b>	<b>38,767</b>	<b>19,980</b>
<b>FUND BALANCE, FISCAL YEAR BEGINNING</b>	<b>602,847</b>	<b>868,500</b>	<b>1,203,013</b>
Prior Period Adjustment (See Note 29)	(26,273)	(2,670)	-
<b>FUND BALANCE, FISCAL YEAR END</b>	<b>\$ 1,231,472</b>	<b>\$ 904,597</b>	<b>\$ 1,222,993</b>

The notes to the financial statements are an integral part of this statement.

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COLORADO BASIC FINANCIAL STATEMENTS • 13

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ -	\$ 379,549	\$ -	\$ 5,014,347
-	33,938	-	493,113
-	3,617	39,012	2,336,466
-	-	149,701	801,352
-	-	139,941	538,042
5	-	364,485	724,477
405	-	687,994	891,793
1	-	146,029	147,947
2,483	3,971	48,340	121,093
23,630	-	205,134	6,227,547
-	-	595	595
-	-	42,948	42,948
4,924	259	27,836	253,053
31,448	421,334	1,852,015	17,592,773
12,018	-	61,548	359,375
17	-	182,951	362,689
7,853	31,831	20,684	661,022
328	-	71,545	626,136
2,749	-	37,177	1,321,716
-	-	9,258	90,243
1,413	-	199,200	6,062,845
-	-	2,259	981,956
188,416	-	3,556	459,022
-	-	49,982	287,200
-	-	53,863	1,370,506
-	613,588	7,514	4,200,279
-	-	7,429	95,908
-	-	1,703	2,494
268	348	34,754	78,936
-	-	207,052	236,276
213,062	645,767	960,475	17,196,603
(181,614)	(224,433)	891,540	396,170
73,515	59,002	323,336	4,610,362
(59,348)	(6,102)	(1,130,906)	(4,729,715)
-	-	9,300	155,935
-	-	-	12,778
-	-	48	17,091
-	-	14,311	14,311
867	-	-	5,865
-	-	-	144,342
-	-	-	(143,978)
15,034	52,900	(783,911)	86,991
(166,580)	(171,533)	107,629	483,161
219,332	365,801	1,582,479	4,841,972
-	485	6,690	(21,768)
\$ 52,752	\$ 194,753	\$ 1,696,798	\$ 5,303,365

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14 • COLORADO BASIC FINANCIAL STATEMENTS

STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES RECONCILED TO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

(DOLLARS IN THOUSANDS)	(A) TOTAL GOVERNMENTAL FUNDS	(B) INTERNAL SERVICE FUNDS	(C) CAPITAL RELATED ITEMS	(D) LONG-TERM DEBT TRANSACTIONS	OTHER MEASUREMENT FOCUS ADJUSTMENTS	STATEMENT OF ACTIVITIES TOTALS
<b>REVENUES:</b>						
Taxes:						
Individual and Fiduciary Income	\$ 5,014,347	\$ -	\$ -	\$ -	\$ 17,265	\$ 5,031,612
Corporate Income	493,113	-	-	-	(27,200)	465,913
Sales and Use	2,336,466	-	-	-	(2,621)	2,333,845
Excise	801,352	-	-	-	1,020	802,372
Other Taxes	538,042	-	-	-	1,348	539,390
Licenses, Permits, and Fines	724,477	-	-	-	(22)	724,455
Charges for Goods and Services	891,793	-	-	-	(6)	891,787
Rents	147,947	-	-	-	-	147,947
Investment Income (Loss)	121,093	93	-	-	1,276	122,462
Federal Grants and Contracts	6,227,547	-	-	-	(116)	6,227,431
Additions to Permanent Funds	595	-	-	-	-	595
Unclaimed Property Receipts	42,948	-	3	-	-	42,948
Other	253,053	-	3	-	(18)	253,038
<b>TOTAL REVENUES</b>	<b>17,592,773</b>	<b>93</b>	<b>3</b>	<b>-</b>	<b>(9,274)</b>	<b>17,583,595</b>
<b>EXPENDITURES:</b>						
Current:						
General Government	359,375	(2,043)	15,952	-	4,498	377,782
Business, Community, and Consumer Affairs	362,689	(499)	3,888	-	(16,539)	349,539
Education	661,022	(132)	5,614	-	191	666,695
Health and Rehabilitation	626,136	(130)	11,580	-	(5)	637,591
Justice	1,321,716	(367)	33,365	-	(382)	1,354,332
Natural Resources	90,243	(352)	2,404	-	71	92,366
Social Assistance	6,062,845	(691)	4,058	-	(43)	6,066,169
Transportation	981,956	52	371,950	-	(95)	1,352,963
Capital Outlay	459,022	-	(456,130)	-	-	2,892
Intergovernmental:						
Cities	287,200	-	-	-	-	287,200
Counties	1,370,506	-	-	-	-	1,370,506
School Districts	4,200,279	-	-	-	-	4,200,279
Special Districts	95,908	-	-	-	-	95,908
Federal	2,494	-	213	-	-	2,707
Other	78,936	-	-	-	-	78,936
Debt Service	236,276	2,735	-	(157,044)	-	81,967
<b>TOTAL EXPENDITURES</b>	<b>17,196,603</b>	<b>(1,427)</b>	<b>(8,006)</b>	<b>(157,044)</b>	<b>(12,304)</b>	<b>17,017,822</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>396,170</b>	<b>1,520</b>	<b>8,009</b>	<b>157,044</b>	<b>3,030</b>	<b>565,773</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers-In	4,610,362	4,430	-	-	-	4,614,792
Transfers-Out	(4,729,715)	(4,895)	-	-	-	(4,734,610)
Face Amount of Bond/COP Issuance	155,935	-	-	(155,935)	-	-
Bond/COP Premium/Discount	12,778	-	-	(12,378)	-	400
Capital Lease Proceeds	17,091	-	-	(17,091)	-	-
Sale of Capital Assets	14,311	-	(5,422)	-	-	8,889
Insurance Recoveries	5,865	-	-	-	-	5,865
Bond/COP Refunding Issuance	144,342	-	-	(144,342)	-	-
Bond/COP Refunding Payments	(143,978)	-	-	143,978	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>86,991</b>	<b>(465)</b>	<b>(5,422)</b>	<b>(185,768)</b>	<b>-</b>	<b>(104,664)</b>
Internal Service Fund Charges to BTAs	-	355	-	-	-	355
<b>NET CHANGE FOR THE YEAR</b>	<b>483,161</b>	<b>1,410</b>	<b>2,587</b>	<b>(28,724)</b>	<b>3,030</b>	<b>461,464</b>
Prior Period Adjustment (Note 29)	(21,768)	-	357,028	-	-	335,260
<b>TOTAL CHANGE FOR THE CURRENT YEAR WITH PRIOR PERIOD ADJUSTMENT</b>	<b>\$ 461,393</b>	<b>\$ 1,410</b>	<b>\$ 359,615</b>	<b>\$ (28,724)</b>	<b>\$ 3,030</b>	<b>\$ 796,724</b>

The notes to the financial statements are an integral part of this statement.

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**Differences Between the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and Governmental Activities on the Government-Wide Statement of Activities**

- (A) Management uses Internal Services Funds to report charges for and the costs of goods and services sold by state agencies solely within the state. Internal Service Funds are intended to operate on the cost reimbursement basis and should break even each period. If an Internal Service Fund makes a profit, the other funds of the State have been overcharged. If an Internal Service Fund has an operating loss, the other funds of the State have been undercharged. In order to show the true cost of services purchased from Internal Service Funds, an adjustment is made that allocates the net revenue/expense of each Internal Service Fund to the programs that purchased the service. Investment income, debt service, and transfers of the Internal Service Fund are not allocated. In addition to minor internal sales within the Department of Transportation and the Department of Public Safety, the State's Internal Service Funds provide the following goods and services to nearly all state agencies:
- Fleet management,
  - Printing and mail services,
  - Information technology services,
  - Telecommunication services,
  - Building maintenance and management in the capitol complex,
  - Administrative court services, and
  - Debt collection.
- (B) The following adjustments relate to capital assets:
- Capital assets, received as donations, are not reported on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* because they are not current financial resources. However, such donations increase net position and are reported on both the government-wide *Statement of Net Position* and *Statement of Activities*.
  - Depreciation is not reported on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*, but it is reported for the economic perspective on which the government-wide *Statement of Activities* is presented.
  - Expenditures reported for capital outlay on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* are generally reported as a conversion of cash to a capital asset on the government-wide *Statement of Net Position*. They are not reported as expenses on the government-wide *Statement of Activities*.
  - On the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* all cash received on disposal of capital assets is reported as a gain on sale of capital assets. On the government-wide *Statement of Activities* the reported gain or loss on sale is based on the carrying value of the asset as well as the cash received.
- (C) The following adjustments relate to debt issuance and debt service including leases:
- Payments on principal and debt refunding payments are reported as expenditures and other financing uses, respectively, on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*. These payments are reported as reductions of lease, bond, and other debt liability balances on the government-wide *Statement of Net Position* and are not reported on the government-wide *Statement of Activities*.
  - Amortization of issuance costs, debt premium/discount, and gain/loss on refunding are not reported on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*, but are reported on the government-wide *Statement of Activities*.
  - Lease proceeds, issuance of debt, and debt refunding proceeds are all reported as other financing sources on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*. From an economic perspective lease proceeds, debt issuances, and debt refunding proceeds are reported as liabilities on the government-wide *Statement of Net Position* and are not reported on the government-wide *Statement of Activities*.
- (D) Other measurement focus adjustments include:
- Long-term taxes receivable and certain other long-term assets are offset by deferred revenue and are not part of fund balance on the fund-level *Balance Sheet – Governmental Funds*; however, from a full accrual perspective, changes in the fund-level deferred revenue balances result in adjustments to revenue that are recognized and reported on the government-wide *Statement of Activities*.
  - Compensated absences accruals and claims and judgments are not normally expected to be liquidated from expendable available financial resources; and therefore, they are not reported on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*. However, from a full accrual perspective, these are expenses that are reported on the government-wide *Statement of Activities*.

UNAUDITED

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2012**

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
<b>ASSETS:</b>		
<b>Current Assets:</b>		
Cash and Pooled Cash	\$ 1,156,788	\$ 523,036
Investments	158,009	-
Premiums Receivable, net	-	159,303
Student and Other Receivables, net	279,720	12,019
Due From Other Governments	200,149	10,484
Due From Other Funds	5,150	-
Due From Component Units	18,715	-
Inventories	37,654	-
Prepays, Advances, and Deferred Charges	13,059	-
<b>Total Current Assets</b>	<b>1,869,244</b>	<b>704,842</b>
<b>Noncurrent Assets:</b>		
Restricted Cash and Pooled Cash	311,957	-
Restricted Investments	295,228	-
Restricted Receivables	-	-
Investments	1,444,321	-
Other Long-Term Assets	115,832	2,328
Depreciable Capital Assets and Infrastructure, net	4,998,163	-
Land and Nondepreciable Infrastructure	549,766	-
<b>Total Noncurrent Assets</b>	<b>7,715,267</b>	<b>2,328</b>
<b>TOTAL ASSETS</b>	<b>9,584,511</b>	<b>707,170</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>		
	5,005	-
<b>LIABILITIES:</b>		
<b>Current Liabilities:</b>		
Accounts Payable and Accrued Liabilities	558,531	275
Due To Other Governments	-	2
Due To Other Funds	11,861	-
Due To Component Units	123	-
Deferred Revenue	197,004	-
Compensated Absences Payable	14,221	-
Claims and Judgments Payable	-	-
Leases Payable	5,632	-
Notes, Bonds, and COPs Payable	117,833	124,960
Other Postemployment Benefits	15,721	-
Other Current Liabilities	69,101	8,444
<b>Total Current Liabilities</b>	<b>990,027</b>	<b>133,681</b>
<b>Noncurrent Liabilities:</b>		
Due to Other Funds	-	-
Accrued Compensated Absences	207,543	-
Claims and Judgments Payable	36,472	-
Capital Lease Payable	27,762	-
Derivative Instrument Liability	12,994	-
Notes, Bonds, and COPs Payable	3,128,982	509,056
Due to Component Units	1,758	-
Other Postemployment Benefits	139,653	-
Other Long-Term Liabilities	15,698	-
<b>Total Noncurrent Liabilities</b>	<b>3,570,862</b>	<b>509,056</b>
<b>TOTAL LIABILITIES</b>	<b>4,560,889</b>	<b>642,737</b>
<b>NET POSITION:</b>		
Net Investment in Capital Assets:	2,734,668	(124,960)
Restricted for:		
Unemployment Insurance	-	189,393
Debt Service	7,464	-
Emergencies	-	-
Expendable	6,975	-
Nonexpendable	79,675	-
Other Purposes	556,705	-
Unrestricted	1,643,141	-
<b>TOTAL NET POSITION</b>	<b>\$ 5,028,627</b>	<b>\$ 64,433</b>

The notes to the financial statements are an integral part of this statement.

UNAUDITED

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
\$ 33,995	\$ 297,618	\$ 2,011,437	\$ 26,185
-	2,090	160,099	-
-	-	159,303	-
19,719	22,416	333,874	446
-	8,034	218,667	591
-	7,263	12,413	1,626
-	-	18,715	-
1,027	14,637	53,318	1,425
5,067	6,034	24,160	1,121
<u>59,808</u>	<u>358,092</u>	<u>2,991,986</u>	<u>31,394</u>
-	58,982	370,939	-
-	-	295,228	-
-	80,975	80,975	-
-	324,026	1,768,347	-
-	4,178	122,338	6
2,832	250,196	5,251,191	68,994
-	469,790	1,019,556	1,040
<u>2,832</u>	<u>1,188,147</u>	<u>8,908,574</u>	<u>70,040</u>
<u>62,640</u>	<u>1,546,239</u>	<u>11,900,560</u>	<u>101,434</u>
-	-	5,005	-
4,734	43,958	607,498	14,697
25	53,595	53,622	-
28,984	5,166	46,011	50
-	-	123	-
-	40,526	237,530	78
-	721	14,942	103
-	122	122	-
-	221	5,853	10,669
-	795	243,588	2,070
-	-	15,721	-
22,825	10,175	110,545	203
<u>56,568</u>	<u>155,279</u>	<u>1,335,555</u>	<u>27,870</u>
-	2,077	2,077	-
836	10,647	219,026	6,819
-	-	36,472	-
-	5,423	33,185	52,776
-	-	12,994	-
-	308,516	3,946,554	2,626
-	-	1,758	-
-	-	139,653	-
61	23,256	39,015	-
<u>897</u>	<u>349,919</u>	<u>4,430,734</u>	<u>62,221</u>
<u>57,465</u>	<u>505,198</u>	<u>5,766,289</u>	<u>90,091</u>
2,832	641,625	3,254,165	1,893
-	-	189,393	-
-	-	7,464	-
-	10,005	10,005	-
-	-	6,975	-
-	-	79,675	-
-	54,195	610,900	-
2,343	335,216	1,980,700	9,450
<u>\$ 5,175</u>	<u>\$ 1,041,041</u>	<u>\$ 6,139,276</u>	<u>\$ 11,343</u>

UNAUDITED

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
<b>OPERATING REVENUES:</b>		
Unemployment Insurance Premiums	\$ -	\$ 828,530
License and Permits	-	95
Tuition and Fees	2,242,109	-
Scholarship Allowance for Tuition and Fees	(535,538)	-
Sales of Goods and Services	1,446,896	-
Scholarship Allowance for Sales of Goods & Services	(21,874)	-
Investment Income (Loss)	1,449	-
Rental Income	14,610	-
Gifts and Donations	24,038	-
Federal Grants and Contracts	1,077,393	922,611
Intergovernmental Revenue	10,093	-
Other	248,734	1,230
<b>TOTAL OPERATING REVENUES</b>	<u>4,507,910</u>	<u>1,752,466</u>
<b>OPERATING EXPENSES:</b>		
Salaries and Fringe Benefits	3,208,747	522
Operating and Travel	1,220,177	1,559,539
Cost of Goods Sold	145,634	-
Depreciation and Amortization	315,584	-
Intergovernmental Distributions	29,695	-
Debt Service	-	-
Prizes and Awards	356	-
<b>TOTAL OPERATING EXPENSES</b>	<u>4,920,193</u>	<u>1,560,061</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(412,283)</u>	<u>192,405</u>
<b>NONOPERATING REVENUES AND (EXPENSES):</b>		
Taxes	-	-
Fines and Settlements	975	1,908
Investment Income (Loss)	57,235	1,428
Rental Income	39,643	1
Gifts and Donations	133,666	-
Intergovernmental Distributions	(19,575)	-
Federal Grants and Contracts	308,873	-
Gain/(Loss) on Sale or Impairment of Capital Assets	(1,367)	-
Insurance Recoveries from Prior Year Impairments	171	-
Debt Service	(119,308)	(11,260)
Other Expenses	(1,415)	-
Other Revenues	4,323	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>403,221</u>	<u>(7,923)</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>(9,062)</u>	<u>184,482</u>
<b>CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:</b>		
Capital Contributions	134,279	-
Additions to Permanent Endowments	377	-
Transfers-In	188,735	-
Transfers-Out	(4,949)	(2,141)
<b>TOTAL CONTRIBUTIONS AND TRANSFERS</b>	<u>318,442</u>	<u>(2,141)</u>
<b>CHANGE IN NET POSITION</b>	<u>309,380</u>	<u>182,341</u>
<b>NET POSITION - FISCAL YEAR BEGINNING</b>	<u>4,723,248</u>	<u>(117,908)</u>
Prior Period Adjustments (See Note 29)	(4,001)	-
<b>NET POSITION - FISCAL YEAR ENDING</b>	<u>\$ 5,028,627</u>	<u>\$ 64,433</u>

The notes to the financial statements are an integral part of this statement.

UNAUDITED

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

(DOLLARS IN THOUSANDS)

	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from:		
Tuition, Fees, and Student Loans	\$ 1,723,530	\$ -
Fees for Service	1,362,068	-
Sales of Products	6,508	-
Gifts, Grants, and Contracts	1,568,403	920,104
Loan and Note Repayments	403,396	-
Unemployment Insurance Premiums	-	535,435
Income from Property	54,253	-
Other Sources	64,561	-
Cash Payments to or for:		
Employees	(3,052,233)	-
Suppliers	(1,218,845)	-
Sales Commissions and Lottery Prizes	-	-
Unemployment Benefits	-	(1,544,638)
Scholarships	(115,501)	-
Others for Student Loans and Loan Losses	(401,886)	-
Other Governments	(30,980)	-
Other	(78,275)	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>284,999</b>	<b>(89,099)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Transfers-In	189,084	-
Transfers-Out	(4,949)	(2,141)
Receipt of Deposits Held in Custody	620,308	-
Release of Deposits Held in Custody	(619,369)	-
Gifts and Grants for Other Than Capital Purposes	134,024	-
Intergovernmental Distributions	(19,575)	-
NonCapital Debt Proceeds	3,186	632,886
NonCapital Debt Service Payments	(7,906)	(20,038)
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES</b>	<b>294,803</b>	<b>610,707</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of Capital Assets	(579,632)	-
Capital Contributions	398	-
Capital Gifts, Grants, and Contracts	72,173	-
Proceeds from Sale of Capital Assets	5,730	-
Capital Debt Proceeds	677,885	-
Capital Debt Service Payments	(454,908)	-
Capital Lease Payments	(23,386)	-
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(301,740)</b>	<b>-</b>

The notes to the financial statements are an integral part of this statement.

(Continued)

UNAUDITED

<b>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS</b>			<b>GOVERNMENTAL ACTIVITIES</b>
STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
\$ -	\$ -	\$ 828,530	\$ -
65	104,017	104,177	-
-	539	2,242,648	-
-	-	(535,538)	-
559,342	205,861	2,212,099	201,087
-	-	(21,874)	-
-	8,518	9,967	-
-	1,778	16,388	11,650
-	-	24,038	-
-	472,001	2,472,005	-
-	24,970	35,063	-
967	7,277	258,208	380
<b>560,374</b>	<b>824,961</b>	<b>7,645,711</b>	<b>213,117</b>
9,452	209,715	3,428,436	105,124
58,995	455,661	3,294,372	80,165
11,958	40,340	197,932	7,812
1,049	14,521	331,154	16,138
-	8,737	38,432	3
-	14,871	14,871	-
356,679	872	357,907	-
<b>438,133</b>	<b>744,717</b>	<b>7,663,104</b>	<b>209,242</b>
122,241	80,244	(17,393)	3,875
-	27,318	27,318	-
-	6,678	9,561	-
344	8,168	67,175	92
-	9,205	48,849	-
-	2,702	136,368	-
(57,066)	-	(76,641)	-
-	-	308,873	250
(34)	155	(1,246)	394
-	(7)	164	-
-	(14,725)	(145,293)	(2,683)
-	(120)	(1,535)	(53)
-	3	4,326	-
<b>(56,756)</b>	<b>39,377</b>	<b>377,919</b>	<b>(2,000)</b>
65,485	119,621	360,526	1,875
-	3,670	137,949	2,167
-	-	377	-
-	20,966	209,701	2,263
(66,679)	(14,761)	(88,530)	(4,895)
<b>(66,679)</b>	<b>9,875</b>	<b>259,497</b>	<b>(465)</b>
(1,194)	129,496	620,023	1,410
6,369	652,974	5,264,683	9,933
-	258,571	254,570	-
<b>\$ 5,175</b>	<b>\$ 1,041,041</b>	<b>\$ 6,139,276</b>	<b>\$ 11,343</b>

UNAUDITED

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
\$ -	\$ 827	\$ 1,724,357	\$ -
-	240,539	1,602,607	200,381
559,006	57,130	622,644	982
-	446,369	2,934,876	248
-	-	403,396	-
-	-	535,435	-
-	10,983	65,236	11,673
1,032	87,939	153,532	562
(8,876)	(139,764)	(3,200,873)	(88,944)
(28,503)	(229,540)	(1,476,888)	(99,754)
(407,672)	(4,261)	(411,933)	(608)
-	-	(1,544,638)	-
-	-	(115,501)	-
-	(343,260)	(745,146)	-
-	(8,772)	(39,752)	(3)
(17)	(13,937)	(92,229)	(125)
114,970	104,253	415,123	24,412
-	20,966	210,050	2,263
(66,679)	(14,761)	(88,530)	(4,895)
-	13	620,321	433
-	(1)	(619,370)	(488)
-	2,111	136,135	-
(53,708)	-	(73,283)	-
-	-	636,072	-
-	(611)	(28,555)	-
(120,387)	7,717	792,840	(2,687)
(132)	(116,092)	(695,856)	(2,334)
-	-	398	-
-	-	72,173	-
-	17	5,747	4,234
-	-	677,885	-
-	(14,493)	(469,401)	(4,628)
-	(2,672)	(26,058)	(13,249)
(132)	(133,240)	(435,112)	(15,977)

UNAUDITED

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

(Continued)

(DOLLARS IN THOUSANDS)

	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	77,464	1,428
Proceeds from Sale/Maturity of Investments	3,960,492	-
Purchases of Investments	(4,267,900)	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	(626)	-
NET CASH FROM INVESTING ACTIVITIES	(230,570)	1,428
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	47,492	523,036
CASH AND POOLED CASH, FISCAL YEAR BEGINNING	1,417,584	-
Prior Period Adjustment (See Note 29)	3,669	-
CASH AND POOLED CASH, FISCAL YEAR END	\$ 1,468,745	\$ 523,036
RECONCILIATION OF OPERATING INCOME TO NET CASH		
PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (412,283)	\$ 192,405
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	315,584	-
Investment/Rental Income and Other Revenue in Operating Income	-	(1,230)
Rents, Fines, Donations, and Grants and Contracts in NonOperating	355,270	1,910
(Gain)/Loss on Disposal of Capital and Other Assets	34	-
Compensated Absences	11,845	-
Interest and Other Expense in Operating Income	(12,326)	-
Net Changes in Assets and Liabilities Related to Operating Activities:		
(Increase) Decrease in Operating Receivables	(63,995)	22,878
(Increase) Decrease in Inventories	(8,727)	-
(Increase) Decrease in Other Operating Assets	6,139	-
Increase (Decrease) in Accounts Payable	72,284	(304,448)
Increase (Decrease) in Other Operating Liabilities	21,174	(614)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 284,999	\$ (89,099)
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:		
Capital Assets Funded by the Capital Projects Fund	4,965	-
Capital Assets Acquired by Grants or Donations and Payable Increases	98,960	-
Realized/Unrealized Gain/Loss on Investments and Interest Receivable Accrual	24,245	-
Loss on Disposal of Capital and Other Assets	12,134	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	34,017	-
Assumption of Capital Lease Obligation or Mortgage	9,680	-
Financed Debt Issuance Costs	1,148	-
Fair Value Change in Derivative Instrument	6,812	-

The notes to the financial statements are an integral part of this statement.

UNAUDITED

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
493	15,260	94,645	41
-	61,970	4,022,462	-
-	(2,347)	(4,270,247)	-
(149)	505	(270)	52
344	75,388	(153,410)	93
(5,205)	54,118	619,441	5,841
39,200	259,668	1,716,452	20,344
-	42,814	46,483	-
<u>\$ 33,995</u>	<u>\$ 356,600</u>	<u>\$ 2,382,376</u>	<u>\$ 26,185</u>
\$ 122,241	\$ 80,244	\$ (17,393)	\$ 3,875
1,049	14,521	331,154	16,138
-	(8,518)	(9,748)	-
-	43,540	400,720	477
-	2,260	2,294	11
30	250	12,125	7
-	(13,917)	(26,243)	161
(313)	(47,571)	(89,001)	610
205	383	(8,139)	(168)
(558)	(4,482)	1,099	874
1,984	31,676	(198,504)	2,786
(9,668)	5,867	16,759	(359)
<u>\$ 114,970</u>	<u>\$ 104,253</u>	<u>\$ 415,123</u>	<u>\$ 24,412</u>
-	372	5,337	2,167
-	-	98,960	-
-	-	24,245	-
35	-	12,169	-
-	-	34,017	-
-	4,062	13,742	10,208
-	-	1,148	-
-	-	6,812	-

UNAUDITED

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2012**

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST	AGENCY
<b>ASSETS:</b>			
Current Assets:			
Cash and Pooled Cash	\$ 47,784	\$ 120,785	\$ 946,969
Investments	-	-	1,906
Taxes Receivable, net	-	-	125,025
Other Receivables, net	426	8,589	384
Due From Other Governments	1	-	-
Due From Other Funds	21,628	4,546	9,933
Inventories	-	-	3
Noncurrent Assets:			
Government Securities	-	16,859	-
Repurchase Agreements	-	899	-
Mutual Funds	-	4,262,002	-
Other Investments	-	45,646	-
Other Long-Term Assets	-	-	13,736
<b>TOTAL ASSETS</b>	<u>69,839</u>	<u>4,459,326</u>	<u>\$ 1,097,956</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Tax Refunds Payable	-	-	4,238
Accounts Payable and Accrued Liabilities	15,298	8,113	1,063
Due To Other Governments	-	-	221,676
Due To Other Funds	-	17	37
Deferred Revenue	-	6,080	-
Claims and Judgments Payable	13,695	-	631
Other Current Liabilities	-	-	826,089
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	2,534	38,493
Accrued Compensated Absences	37	-	-
Other Long-Term Liabilities	-	-	5,729
<b>TOTAL LIABILITIES</b>	<u>29,030</u>	<u>16,744</u>	<u>\$ 1,097,956</u>
<b>NET POSITION:</b>			
Held in Trust for:			
Pension/Benefit Plan Participants	33,830	-	-
Individuals, Organizations, and Other Entities	-	4,442,582	-
Unrestricted	6,979	-	-
<b>TOTAL NET POSITION</b>	<u>\$ 40,809</u>	<u>\$ 4,442,582</u>	

The notes to the financial statements are an integral part of this statement.

UNAUDITED

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST
<b>ADDITIONS:</b>		
Additions By Participants	\$ -	\$ 825,131
Member Contributions	86,426	-
Employer Contributions	212,903	-
Investment Income/(Loss)	1,051	135,522
Employee Participation Fees	1,515	-
Unclaimed Property Receipts	-	32,510
Other Additions	7,768	2,981
Transfers-In	1,128	-
<b>TOTAL ADDITIONS</b>	<b>310,791</b>	<b>996,144</b>
<b>DEDUCTIONS:</b>		
Distributions to Participants	-	263,069
Health Insurance Premiums Paid	136,010	-
Health Insurance Claims Paid	130,402	-
Other Benefits Plan Expense	20,215	-
Payments in Accordance with Trust Agreements	-	465,027
Other Deductions	17,441	-
Transfers-Out	210	104
<b>TOTAL DEDUCTIONS</b>	<b>304,278</b>	<b>728,200</b>
<b>CHANGE IN NET POSITION</b>	<b>6,513</b>	<b>267,944</b>
<b>NET POSITION - FISCAL YEAR BEGINNING</b>	<b>34,296</b>	<b>4,174,638</b>
<b>NET POSITION - FISCAL YEAR ENDING</b>	<b>\$ 40,809</b>	<b>\$ 4,442,582</b>

The notes to the financial statements are an integral part of this statement.

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**STATEMENT OF NET POSITION  
COMPONENT UNITS  
JUNE 30, 2012**

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO HOSPITAL AUTHORITY	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and Pooled Cash	\$ 26,793	\$ 122,103	\$ 14,348
Investments	-	-	-
Restricted Securities Not Held for Investment	-	27,492	-
Contributions Receivable, net	-	-	29,299
Other Receivables, net	103,308	86,912	84
Due From Other Governments	-	1,667	-
Inventories	17,069	-	-
Prepays, Advances, and Deferred Charges	10,085	-	85
<b>Total Current Assets</b>	<b>157,255</b>	<b>238,174</b>	<b>43,816</b>
<b>Noncurrent Assets:</b>			
Restricted Cash and Pooled Cash	-	115,981	-
Restricted Investments	207,202	289,524	-
Restricted Receivables	17,834	4,503	-
Restricted Securities Not Held for Investment	-	18,996	-
Investments	685,357	-	1,159,997
Contributions Receivable, net	-	-	23,368
Net Pension Asset	6,800	-	-
Other Long-Term Assets	11,463	1,227,819	-
Depreciable Capital Assets and Infrastructure, net	556,507	43	2,537
Land and Nondepreciable Infrastructure	29,901	-	-
<b>Total Noncurrent Assets</b>	<b>1,515,064</b>	<b>1,656,866</b>	<b>1,185,902</b>
<b>TOTAL ASSETS</b>	<b>1,672,319</b>	<b>1,895,040</b>	<b>1,229,718</b>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Accounts Payable and Accrued Liabilities	76,377	18,397	10,264
Due To Other Governments	-	1,335	-
Deferred Revenue	-	515	396
Compensated Absences Payable	17,902	-	-
Claims and Judgments Payable	-	-	-
Leases Payable	-	-	700
Notes, Bonds, and COPs Payable	13,295	60,205	-
Other Current Liabilities	17,457	154,514	10,795
<b>Total Current Liabilities</b>	<b>125,031</b>	<b>234,966</b>	<b>22,155</b>
<b>Noncurrent Liabilities:</b>			
Deposits Held In Custody For Others	-	-	242,268
Capital Lease Payable	-	-	2,032
Notes, Bonds, and COPs Payable	702,365	1,040,369	-
Other Long-Term Liabilities	22,957	30,367	18,798
<b>Total Noncurrent Liabilities</b>	<b>725,322</b>	<b>1,070,736</b>	<b>263,098</b>
<b>TOTAL LIABILITIES</b>	<b>850,353</b>	<b>1,305,702</b>	<b>285,253</b>
<b>NET POSITION:</b>			
Net investment in Capital Assets:	74,975	43	(196)
<b>Restricted for:</b>			
Emergencies	-	-	-
Expendable	-	-	549,066
Nonexpendable	-	-	322,524
Other Purposes	18,220	521,058	-
Unrestricted	728,771	68,237	73,071
<b>TOTAL NET POSITION</b>	<b>\$ 821,966</b>	<b>\$ 589,338</b>	<b>\$ 944,465</b>

The notes to the financial statements are an integral part of this statement.

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COLORADO BASIC FINANCIAL STATEMENTS • 27

COLORADO STATE UNIVERSITY FOUNDATION	COLORADO SCHOOL OF MINES FOUNDATION	OTHER COMPONENT UNITS	TOTAL
\$ 491	\$ 6,050	\$ 66,673	\$ 236,458
-	-	81,495	81,495
-	-	-	27,492
6,331	1,876	4,150	41,656
-	2,836	1,851	194,991
-	-	403	2,070
-	-	-	17,069
162	-	-	10,332
6,984	10,762	154,572	611,563
-	146	15,364	131,491
-	-	-	496,726
-	-	-	22,337
-	-	-	18,996
296,900	216,272	24,538	2,383,064
22,681	9,375	-	55,424
-	-	-	6,800
513	281	15,498	1,255,574
17	216	119,255	678,575
-	-	33,855	63,756
320,111	226,290	208,510	5,112,743
327,095	237,052	363,082	5,724,306
951	1,968	6,746	114,703
-	-	-	1,335
-	-	10,380	11,291
-	-	-	17,902
-	-	23,309	23,309
-	-	-	700
-	-	306	73,806
-	-	170	182,936
951	1,968	40,911	425,982
12,245	15,448	-	269,961
-	-	-	2,032
-	-	54,961	1,797,695
885	10,306	27,224	110,537
13,130	25,754	82,185	2,180,225
14,081	27,722	123,096	2,606,207
17	216	138,341	213,396
-	-	29	29
148,167	47,267	-	744,500
133,333	138,287	-	594,144
-	-	68,551	607,829
31,497	23,560	33,065	958,201
\$ 313,014	\$ 209,330	\$ 239,986	\$ 3,118,099

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28 • COLORADO BASIC FINANCIAL STATEMENTS

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2012**

(DOLLARS IN THOUSANDS)

	UNIVERSITY OF COLORADO HOSPITAL AUTHORITY	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
<b>OPERATING REVENUES:</b>			
Fees	\$ -	\$ 50,891	\$ 5,100
Sales of Goods and Services	826,814	-	-
Investment Income (Loss)	-	13,623	-
Rental Income	-	-	-
Gifts and Donations	-	-	107,232
Federal Grants and Contracts	-	6,509	-
Other	20,750	65	943
<b>TOTAL OPERATING REVENUES</b>	<b>847,564</b>	<b>71,088</b>	<b>113,275</b>
<b>OPERATING EXPENSES:</b>			
Salaries and Fringe Benefits	332,597	1,264	-
Operating and Travel	181,457	18,012	22,109
Cost of Goods Sold	162,407	-	-
Depreciation and Amortization	44,228	14	-
Debt Service	-	54,176	-
Foundation Program Distributions	-	-	98,402
<b>TOTAL OPERATING EXPENSES</b>	<b>720,689</b>	<b>73,466</b>	<b>120,511</b>
<b>OPERATING INCOME (LOSS)</b>	<b>126,875</b>	<b>(2,378)</b>	<b>(7,236)</b>
<b>NONOPERATING REVENUES AND (EXPENSES):</b>			
Investment Income (Loss)	91,470	-	125,332
Gifts and Donations	-	-	-
Gain/(Loss) on Sale or Impairment of Capital Assets	(28)	-	-
Debt Service	(23,519)	-	-
Other Expenses	(900)	-	-
Other Revenues	-	-	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>67,023</b>	<b>-</b>	<b>125,332</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>193,898</b>	<b>(2,378)</b>	<b>118,096</b>
<b>CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:</b>			
Capital Contributions	5,181	24,561	-
<b>TOTAL CONTRIBUTIONS AND TRANSFERS</b>	<b>5,181</b>	<b>24,561</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>199,079</b>	<b>22,183</b>	<b>118,096</b>
<b>NET POSITION - FISCAL YEAR BEGINNING</b>	<b>622,887</b>	<b>567,155</b>	<b>826,369</b>
<b>NET POSITION - FISCAL YEAR ENDING</b>	<b>\$ 821,966</b>	<b>\$ 589,338</b>	<b>\$ 944,465</b>

The notes to the financial statements are an integral part of this statement.

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COLORADO BASIC FINANCIAL STATEMENTS • 29

COLORADO STATE UNIVERSITY FOUNDATION	COLORADO SCHOOL OF MINES FOUNDATION	OTHER COMPONENT UNITS	TOTAL
\$ -	\$ -	\$ 101,746	\$ 157,737
-	-	-	826,814
-	-	4,824	18,447
-	-	948	948
44,293	10,290	-	161,815
-	-	2,931	9,440
120	198	-	22,076
<u>44,413</u>	<u>10,488</u>	<u>110,449</u>	<u>1,197,277</u>
-	-	-	333,861
2,056	3,102	129,861	356,597
-	-	-	162,407
-	-	4,207	48,449
-	-	-	54,176
23,685	23,580	-	145,667
<u>25,741</u>	<u>26,682</u>	<u>134,068</u>	<u>1,101,157</u>
18,672	(16,194)	(23,619)	96,120
52,136	36,350	1,768	307,056
-	-	9,243	9,243
-	-	-	(28)
-	-	-	(23,519)
-	-	(2,177)	(3,077)
-	-	36,016	36,016
<u>52,136</u>	<u>36,350</u>	<u>44,850</u>	<u>325,691</u>
<u>70,808</u>	<u>20,156</u>	<u>21,231</u>	<u>421,811</u>
-	-	-	29,742
-	-	-	29,742
70,808	20,156	21,231	451,553
242,206	189,174	218,754	2,666,545
<u>\$ 313,014</u>	<u>\$ 209,330</u>	<u>\$ 239,986</u>	<u>\$ 3,118,099</u>

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**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - COMPONENT UNITS RECAST TO THE STATEMENT OF ACTIVITIES FORMAT FOR THE YEAR ENDED JUNE 30, 2012**

(DOLLARS IN THOUSANDS)	Statement of Revenues, Expenses, and Changes in Net Assets Totals	Statement of Activities Treatment	Statement of Activities Amounts
<b>OPERATING REVENUES:</b>			
Fees	\$ 157,738	Charges for Services	\$ 157,738
Sales of Goods and Services	826,814	Charges for Services	826,814
Investment Income (Loss)	18,447	Unrestricted Investment Earnings	18,447
Rental Income	948	Charges for Services	948
Gifts and Donations	161,815	Operating Grants & Contributions	161,815
Federal Grants and Contracts	9,440	Operating Grants & Contributions	9,440
Other	22,076	Charges for Services	20,815
		Operating Grants & Contributions	1,261
<b>TOTAL OPERATING REVENUES</b>	<u>1,197,278</u>		
<b>OPERATING EXPENSES:</b>			
Salaries and Fringe Benefits	333,861	Expenses	333,861
Operating and Travel	356,597	Expenses	356,597
Cost of Goods Sold	162,407	Expenses	162,407
Depreciation and Amortization	48,449	Expenses	48,449
Debt Service	54,176	Expenses	54,176
Foundation Program Distributions	145,667	Expenses	145,667
<b>TOTAL OPERATING EXPENSES</b>	<u>1,101,157</u>		
<b>OPERATING INCOME (LOSS)</b>	96,121		
<b>NONOPERATING REVENUES AND (EXPENSES):</b>			
Investment Income (Loss)	307,056	Unrestricted Investment Earnings	156,709
		Operating Grants & Contributions	150,347
Gifts and Donations	9,243	Payment from State	9,243
Gain/(Loss) on Sale or Impairment of Capital Assets	(28)	Operating Grants & Contributions	(28)
Debt Service	(23,519)	Expenses	(23,519)
Other Expenses	(3,077)	Expenses	(3,077)
Other Revenues	36,016	Payment from State	34,694
		Capital Grants & Contributions	1,299
		Sales and Use Tax	23
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>325,691</u>		
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>421,812</u>		
<b>CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:</b>			
Capital Contributions	29,742	Operating Grants & Contributions	28,174
		Capital Grants & Contributions	1,568
<b>TOTAL CONTRIBUTIONS AND TRANSFERS</b>	<u>29,742</u>		
<b>CHANGE IN NET POSITION</b>	451,554		451,554
<b>NET POSITION - FISCAL YEAR BEGINNING</b>	2,666,545		2,666,545
<b>NET POSITION - FISCAL YEAR ENDING</b>	<u>\$ 3,118,099</u>		<u>\$ 3,118,099</u>

The notes to the financial statements are an integral part of this schedule.

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NOTES TO THE FINANCIAL STATEMENTS

NOTES 1 Through 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the State of Colorado have been prepared in conformance with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard setting body for establishing governmental accounting and financial reporting principles.

During Fiscal Year 2011-12, the State implemented GASB Statement No. 61 – The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34, Statement No. 63 – Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position, and Statement No. 64 – Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment to GASB Statement No. 53.

The preparation of financial statements in conformance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosed amount of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report all nonfiduciary activities of the primary government and its component units. Fiduciary activities of the primary government and its component units are excluded from the government-wide statements because those resources are not available to fund the programs of the government. The government-wide statements include the *Statement of Net Position* and the *Statement of Activities*; these statements show the financial position and changes in financial position from the prior year. (See additional discussion in Note 3.)

NOTE 2 – REPORTING ENTITY

For financial reporting purposes, the State of Colorado’s primary government includes all funds of the State, its three branches of government, departments, agencies, and state-funded institutions of higher education that make up the State’s legal entity. The State’s reporting entity also includes those component units that are legally separate entities, for which the State’s elected officials are financially accountable.

Financial accountability is defined in GASB Statement No. 14 – The Financial Reporting Entity, as amended by GASB Statement No. 61. The State is financially accountable for those entities for which the State appoints a voting majority of the governing board and either is able to impose its will upon the entity or there exists a financial benefit or burden relationship with the State.

For those entities that the State does not appoint a voting majority of the governing board, GASB Statement No. 14 includes them in the reporting entity if they are fiscally dependent and there exists a financial benefit or burden relationship with the State. Entities that do not meet the specific criteria for inclusion may still be included if it would be misleading to exclude them. Under GASB Statement No. 39, individually significant legally separate tax-exempt organizations are included as component units if their resources are for the direct benefit of the State and the State can access those resources.

The following entities qualify as discretely presented component units:

- University of Colorado Hospital Authority
- Colorado Water Resources and Power Development Authority
- University of Colorado Foundation
- Colorado State University Foundation
- Colorado School of Mines Foundation
- Other Component Units (Nonmajor)
  - Denver Metropolitan Major League Baseball Stadium District
  - CoverColorado
  - Colorado Venture Capital Authority
  - HLC @ Metro, Inc.

The table on the following page contains the primary factors for the inclusion of the non-foundation component units in the State’s reporting entity:

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Component Unit (Non Foundation)	Board Appointment	Ability to Impose Will	Financial Benefit/Burden Relationship
University of Colorado Hospital Authority	Appointment by the State through the Board of Regents of the University of Colorado, with consent of the Senate.	The level of indigent care services and the delivery of mental health services through the University of Colorado’s psychiatric hospital is dictated by the State.	Asset transfer and cost-based services provisions exist between the Authority and the University of Colorado.
Colorado Water Resources and Power Development Authority	Appointment by the Governor, with consent of the the Senate.	Water projects are subject to General Assembly authorization.	The Authority can enter into agreements in name of the State, while the State is required to develop project use plans for the Authority at no cost. The State may also appropriate funds 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 the Senate.	Board members serve at the pleasure of the Governor.	None.
CoverColorado	Appointment by the Governor, with consent of the the Senate.	None.	The State provides annual funding CoverColorado through the Unclaimed Property program.
Venture Capital Authority	Appointment by the Governor or legislature.	Bond issuance is contingent on legislative approval.	The Authority was capitalized based 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 three foundations meet the GASB Statement No. 39 criteria discussed above and are included because they are deemed by management to be individually significant.

Detailed financial information may be obtained directly from these organizations at the following addresses:

University of Colorado Hospital Authority  
 Chief Financial Officer  
 Mail Stop F-417, P.O. Box 6510  
 Aurora, Colorado 80045

Colorado Water Resources and Power Development Authority  
 1580 Logan Street, Suite 620  
 Denver, Colorado 80203

University of Colorado Foundation  
 4740 Walnut Street  
 Boulder, Colorado 80301

Colorado State University Foundation  
 410 University Services Center  
 Fort Collins, CO 80523-9100

Colorado School of Mines Foundation, Inc.  
 P. O. Box 4005  
 Golden, Colorado 80402-4005

Denver Metropolitan Major League Baseball Stadium District  
 2001 Blake Street  
 Denver, Colorado 80205

CoverColorado  
 425 South Cherry Street, Suite 160  
 Glendale, Colorado 80246

Venture Capital Authority  
 1625 Broadway, Suite 2700  
 Denver, Colorado 80202

HLC @ Metro, Inc.  
 1512 Larimer St., Suite 800  
 Denver, CO 80202

The following related organizations, for which the State appoints a voting majority of their governing boards, are not part of the reporting entity based on the criteria of GASB Statement No. 14, as amended by GASB Statements No. 39 and 61:

- Pinnacol Assurance
- Colorado Educational and Cultural Facilities Authority
- Colorado Health Facilities Authority
- Colorado Agricultural Development Authority
- Colorado Housing and Finance Authority
- Colorado Sheep and Wool Authority
- Colorado Beef Council Authority
- Fire and Police Pension Association
- The State Board of the Great Outdoors
- Colorado Trust Fund

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Even though the appointment of governing boards of these authorities is similar to those included in the reporting entity, the State cannot impose its will upon these entities or it does not have a financial benefit or burden relationship with them. Detailed financial information may be obtained directly from these organizations.

Various college and university foundations exist for the benefit of the related State institutions of higher education, but they do not meet all of the GASB Statement No. 39 requirements for inclusion as component units. These entities are included in the various note disclosures if they qualify as related parties or if omitting them would be misleading.

The State has entered a joint operating agreement with the Huerfano County Hospital District to provide patient care at the Colorado State Veterans Nursing Home at Walsenburg. The facility is owned by the State, but it is operated by the hospital district under a twenty-year contract that is renewable at the district's option for successive ten-year terms up to 99 years from the original commencement date in November 1993.

The State's contract with the Huerfano County Hospital District states that the district is responsible for funding the operating deficits of the nursing home; however, since the State owns the nursing home, it retains ultimate financial responsibility for the home. Only the State's share of assets, liabilities, revenues, and expenses associated with the joint operation are shown in these financial statements. These include the land, building, and some of the equipment for the nursing home as well as revenues and expenses associated with the State's on-site contract administrator. The State's pass-through of U.S. Veterans Administration's funds to the district is also shown as revenue and expense of the State.

**NOTE 3 – BASIS OF PRESENTATION –  
GOVERNMENT-WIDE FINANCIAL  
STATEMENTS**

The government-wide financial statements focus on the government as a whole. The *Statement of Net Position* and the *Statement of Activities* are presented using the economic resources measurement focus and the full accrual basis of accounting. Under this presentation, all revenues, expenses, and all current and long-term assets and liabilities of the government are reported including capital assets, depreciation, and long-term debt.

The government-wide statements show the segregation between the primary government and its component units. The primary government is further subdivided between governmental activities and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole

or in part by fees charged to external parties for goods or services.

The *Statement of Net Position* presents the financial position of the government. The net position section of the statement focuses on whether assets, and deferred outflows of resources net of related liabilities, have been restricted as to the purpose for which they may be used. When an external party or the State Constitution places a restriction on the use of certain assets, those assets, net of related liabilities, are reported in the Net Position line items shown as Restricted. The nature of an asset may also result in a restriction on asset use. The line item Net Investment in Capital Assets, comprises capital assets (net of depreciation) reduced by the outstanding balance of bonds, mortgages, notes, Certificates of Participation, or other borrowings that were used to finance the acquisition, construction, or improvement of the capital asset. The State does not report restrictions of net position related to enabling legislation because a settled court case determined that crediting money to a special fund does not mean that the General Assembly is prohibited from appropriating the money for another purpose. Internal Service Fund assets and liabilities are reported in the government-wide *Statement of Net Position* as part of the governmental activities.

The *Statement of Activities* shows the change in financial position for the year. It focuses on the net program cost of individual functions and business-type activities in State government. It does this by presenting direct and allocated indirect costs reduced by program revenues of the function or business-type activities. Direct costs are those that can be specifically identified with a program. The State allocates indirect costs based on the Statewide Appropriations/Cash Fees Plan. Program revenues comprise fines and forfeitures, charges for goods and services, and capital and operating grants.

Taxes, with the exception of unemployment insurance premiums supporting a business-type activity, are presented as general-purpose revenues. General-purpose revenues are presented at the bottom of the statement and do not affect the calculation of net program cost.

The State reports only its proprietary funds as business-type activities. The business-type activities follow all current GASB pronouncements. The proprietary statements and government-wide statements also follow all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Interfund transactions, such as federal and State grants moving between State agencies, have been eliminated from the government-wide statements to the extent that they occur within either the governmental or business-type activities, except as follows. In order not to misstate the sales revenue and purchasing expenses of individual functions or business-type activities, the effects of interfund services provided and used have not been eliminated.

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Balances between governmental and business-type activities are presented as internal balances and are eliminated in the total column. Internal Service Fund activity has been eliminated by allocating the net revenue/expense of the Internal Service Fund to the function originally charged for the internal sale.

Some of the State's component units have fiscal year-ends that differ from the State's fiscal year-end, and as a result amounts receivable and payable between the primary government and component units may not be equal. Amounts shown as receivable and payable between the primary government and the component units are primarily with the University of Colorado Hospital Authority and the four foundations, which are reported as component units and have matching fiscal year ends, but also include amounts related to component units not deemed material for discrete reporting.

Interfund balances between the primary government's fiduciary activities and the primary government are presented on the government-wide statements as external receivables and payables.

**NOTE 4 – BASIS OF PRESENTATION –  
FUND FINANCIAL STATEMENTS**

**Primary Government**

The fund-level statements provide additional detail about the primary government and its component units. The information is presented in four types – governmental funds, proprietary funds, fiduciary funds, and component units. With the exception of the fiduciary fund type, each type is presented with a major fund focus.

The Governmental Accounting Standards Board has defined major funds based on percentage thresholds; however, it allows presentation of any fund as a major fund when that fund is particularly important to financial statement users. The Capital Projects Fund, the State Education Fund, and the Lottery Fund do not meet the percentage threshold requirements, but they are presented as major funds under the discretion provided by the standard. The State's component units are reported as major except for the Denver Metropolitan Major League Baseball Stadium District, CoverColorado, the Venture Capital Authority, and HLC @ Metro, Inc. which are presented as nonmajor component units.

The State's major funds report the following activities:

**GOVERNMENTAL FUND TYPE:**

General Fund  
Transactions that are not related to specific revenue streams for dedicated purposes for services traditionally provided by State government are accounted for in the General Fund. The General Fund contains Special Purpose Funds that include the State Public School, Risk Management, and

Other Special Purpose Funds. Resources obtained from federal grants that support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements. As a result of comingled current and cumulative general-purpose and special-purpose revenue in the General Fund, combining statements detailing the components of the General Fund are included as supplementary information. The statements segregate activities funded with general-purpose revenue in order to demonstrate compliance with the legal definition of the General Fund, which is referred to as the General Purpose Revenue Fund.

Resource Extraction

This fund accounts for receipts from severance taxes, mineral leasing, and fees associated with regulation of mining activities. Expenditures include distributions to local governments, regulatory costs, and loans to special districts and local governments for water projects.

Highway Users Tax Fund

Expenditures of this fund are for the construction and maintenance of public highways, the operations of the State Patrol, and the motor vehicle related operations of the Department of Revenue. Revenues are from excise taxes on motor fuels, driver, and vehicle registration fees, and other related taxes. In prior years this fund has issued revenue bonds to finance construction and maintenance of highway infrastructure. Most of the State's infrastructure is owned by this fund.

Capital Projects Fund

Transactions related to resources obtained and used for acquisition, construction, or improvement of State owned facilities and certain equipment are accounted for in the Capital Projects Fund unless the activity occurs in a proprietary fund or in certain instances when the activity is incidental to a cash fund. A combining statement of the components of the Capital Projects Fund is presented as supplementary information to segregate regular (primarily general-funded) and special (primarily cash-funded) capital construction.

State Education Fund

The State Education Fund was created in the State Constitution by a vote of the people in November 2000. The fund's primary revenue source is a tax of one third of one percent on federal taxable income. The revenues are restricted for the purpose of improving Colorado students' primary education by funding specific programs and by guaranteeing appropriation growth of at least one percent greater than annual inflation through Fiscal Year 2010-11 and by inflation thereafter.

**PROPRIETARY FUND TYPE:**

Higher Education Institutions

This fund reports the activities of all state institutions of higher education. Fees for educational services, tuition payments, and research grants are the primary sources of

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funding for this activity. Higher Education Institutions have significant capital debt secured solely by pledged revenues.

Unemployment Insurance

This fund accounts for the collection of unemployment insurance premiums from employers, related federal support, and the payment of unemployment benefits to eligible claimants.

Lottery

The State Lottery encompasses the various lottery and lotto games run under Colorado Revised Statutes. The primary revenue source is lottery ticket sales, and the net proceeds are primarily distributed to the Great Outdoors Colorado Program (a related organization), the Conservation Trust Fund, and when receipts are adequate, the General Purpose Revenue Fund. The funds are used primarily for open space purchases and recreational facilities throughout the State.

Nonmajor funds of each fund type are aggregated into a single column for presentation in the basic financial statements. In addition to the major funds discussed above, the State reports the following fund categories in supplementary information in the Comprehensive Annual Financial Report (CAFR).

GOVERNMENTAL FUND TYPE (NONMAJOR):

General Fund

The General Fund and its components are classified as a major fund in the basic financial statements. Because of the requirement to separately identify activity related to general-purpose revenues for legal compliance purposes, the general-purpose revenue activity and the special-purpose revenue activities are shown in a combining statement detailing the components of the General Fund. As a result, the General Fund activity is presented similar to major and nonmajor funds. The general-purpose activity is presented in the General Purpose Revenue Fund, while the special-purpose revenue activities include the Public School Fund, the Risk Management Fund, and the Other Special Purpose Fund.

Capital Projects

The Capital Projects Fund and its components are classified as a major fund in the basic financial statements. The components are necessary to support the calculation of resources available for future appropriation. In order to demonstrate legal compliance, the Regular Capital Projects, which is primarily funded from general-purpose revenue, and Special Capital Projects Fund, which is primarily funded with dedicated revenues, are presented similar to nonmajor funds.

Special Revenue Funds

Transactions related to resources obtained from specific sources and dedicated to specific purposes are accounted for in special revenue funds. The individual nonmajor funds include Labor, Gaming, Tobacco Impact Mitigation,

Resource Management, Environment and Health Protection, Unclaimed Property, and Other Special Revenue Funds.

Debt Service Fund

This fund accounts for the accumulation of resources, primarily transfers from other funds, for the payment of long-term debt principal and interest. It also accounts for the issuance of debt solely to refund debt of other funds. The primary debt serviced by this fund consists of Certificates of Participation issued by various departments and Transportation Revenue Anticipation Notes issued by the Department of Transportation to fund infrastructure.

Permanent Funds

This collection of funds reports resources that are legally restricted to the extent that only earnings, and not principal, may be used to support the State's programs. The individual nonmajor funds included in this category are the State Lands Fund and an aggregation of several smaller funds. On the government-wide financial statements the net position of these funds are presented as restricted with separate identification of the non-expendable (principal) and expendable (earnings) amounts. On the fund-level financial statements the principal portion is reported as Nonspendable.

PROPRIETARY FUND TYPE (NONMAJOR):

Enterprise Funds

The State uses enterprise funds to account for activities that charge fees, primarily to external users, to recover the costs of the activity. In some instances, the requirement to recover costs is a legal mandate, and in others it is due to management's pricing policy. The individual nonmajor funds reported in supplementary information include CollegeInvest, Wildlife, College Assist, State Fair Authority, Correctional Industries, State Nursing Homes, Prison Canteens, Petroleum Storage Tank, Transportation Enterprise, and several smaller funds aggregated as Other Enterprise Funds.

Internal Service Funds

The State uses Internal Service Funds to account for sales of goods and services, primarily to internal customers, on a cost reimbursement basis. The major fund concept does not apply to Internal Service Funds. The State's Internal Service Funds reported in supplementary information include Central Services, Information Technology Services, Capitol Complex, Highways, Public Safety, Administrative Courts, and Other Enterprise Services. In the fund financial statements, these activities are aggregated into a single column. In the government-wide statements, the Internal Service Funds are included in the governmental activities on the *Statement of Net Position*, and they are included in the *Statement of Activities* through an allocation of their net revenue/expense back to the programs originally charged for the goods or services.

FIDUCIARY FUND TYPE:

The resources reported in fiduciary fund types are not available for use in the State's programs; therefore, none of the fiduciary funds are included in the government-wide financial statements.

Pension and Benefit Trust Funds

In the basic financial statements, the State reports in a single column the activities related to resources being held in trust for members and beneficiaries of the Group Benefits Plan.

Private Purpose Trust Funds

Private Purpose Trust Funds are used to report the resources held in trust for the benefit of other governments, private organizations, or individuals. A single column in the basic financial statements aggregates the Treasurer's Private Purpose Trusts, Unclaimed Property, the College Savings Plan operated by CollegeInvest, the College Opportunity Fund, the Multistate Lottery Winners Trust Fund and several smaller funds shown in the aggregate as Other.

Agency Funds

Agency funds are used to report resources held in a purely custodial capacity for other individuals, private organizations, or other governments. Agency funds primarily include local sales tax collections, trustee investments related to State capital projects, and investments of the Colorado Water Resource and Power Development Authority. Typically the time between receipt and disbursement of these resources is short and investment earnings are inconsequential.

PRESENTATION OF INTERNAL BALANCES

Intrafund transactions are those transactions that occur completely within a column in the financial statements, while interfund transactions involve more than one column. This definition applies at the level of combining financial statements in the supplementary information section of the Comprehensive Annual Financial Report. Substantially all intrafund transactions and balances of the primary government have been eliminated from the fund-level financial statements. Interfund sales and federal grant pass-throughs are not eliminated, but are shown as revenues and expenditures/expenses of the various funds. Substantially all other interfund transactions are classified as transfers-in or transfers-out after the revenues and expenditures/expenses are reported on each of the statements of changes in net position.

FUNCTIONAL PRESENTATION OF EXPENDITURES

In the governmental fund types, expenditures are presented on a functional basis rather than an individual program basis because of the large number of programs operated by the State. The State's eight functional classifications and the State agencies or departments comprising each are:

General Government

Legislative Branch, Department of Personnel & Administration, most of the Department of Military and Veterans Affairs, part of the Governor's Office, part of the Department of Revenue, and Department of Treasury

Business, Community, and Consumer Affairs

Department of Agriculture, part of the Governor's Office, Department of Labor and Employment, Department of Local Affairs, most of the Department of Regulatory Agencies, Gaming Division of the Department of Revenue, and Department of State

Education

Department of Education and the portion of the Department of Higher Education not reported as a business-type activity

Health and Rehabilitation

Department of Public Health and Environment and part of the Department of Human Services

Justice

Department of Corrections, Division of Youth Corrections in the Department of Human Services, Judicial Branch, Department of Law, Department of Public Safety, and the Civil Rights Division of the Department of Regulatory Agencies

Natural Resources

Department of Natural Resources

Social Assistance

Department of Human Services, Veterans' Affairs, and the Department of Health Care Policy and Financing

Transportation

Department of Transportation

Component Units

The University of Colorado Hospital Authority uses proprietary fund accounting for its operations. The financial statements for the authority's noncontributory defined benefit pension plan are prepared under the accrual basis of accounting, but are not presented in the State's Comprehensive Annual Financial Report. The pension plan statements are available from the authority. Financial information for the authority is presented as of June 30, 2011.

The Colorado Water Resources and Power Development Authority is engaged only in business-type activities, and it uses proprietary fund accounting for its operations. The authority's financial information is presented as of December 31, 2011.

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, uses proprietary fund accounting in preparation of its financial statements, while CoverColorado and the Venture Capital Authority, both nonmajor component units, apply applicable GASB pronouncements as well as all Financial Accounting Standards Board (FASB) pronouncements that do not

conflict with or contradict GASB pronouncements. The financial information for these entities is presented as of June 30, 2011.

The three foundations presented as component units and HLC @ Metro, Inc. follow Financial Accounting Standards Board statements applicable to not-for-profit entities. The foundation's audited not-for-profit financial statements have been recast into the governmental format as allowed by GASB Statement No. 39. Financial information for the three foundation component units and HLC @ Metro, Inc. is presented as of June 30, 2011.

**NOTE 5 – BASIS OF ACCOUNTING**

**Primary Government**

The basis of accounting applied to a fund depends on both the type of fund and the financial statement on which the fund is presented.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

All transactions and balances on the government-wide financial statements are reported on the full accrual basis of accounting. Under full accrual, revenues, expenses, gains, losses, assets, deferred inflows, deferred outflows, and liabilities resulting from exchange transactions are recognized when the exchange takes place and the earnings process is complete. Similar recognition occurs for nonexchange transactions depending on the type of transaction as follows:

- Derived tax revenues are recognized when the underlying exchange transaction occurs.
- Imposed nonexchange revenues are recognized when the State has an enforceable legal claim.
- Government mandated and voluntary nonexchange revenues are recognized when all eligibility requirements are met – assets are recognized if received before eligibility requirements are met.

FUND-LEVEL FINANCIAL STATEMENTS

Governmental Funds

All transactions and balances of governmental funds are presented on the modified accrual basis of accounting consistent with the flow of current financial resources measurement focus and the requirements of Governmental Accounting Standards Board Interpretation No. 6. Under the modified accrual basis of accounting, revenues are recognized when they are measurable and available. The State defines revenues as available if they are expected to be collected within one year. Historical data, adjusted for economic trends, are used to estimate the following revenue accruals:

- Sales, use, liquor, and cigarette taxes are accrued based on filings received and an estimate of filings due at June 30.
- Income taxes, net of refunds, to be collected from individuals, corporations, and trusts are accrued based on current income earned by taxpayers before June 30. Quarterly filings, withholding statements, and other historical and economic data are used to estimate taxpayers' current income. The related revenue is accrued net of an allowance for uncollectible taxes.

Revenues earned under the terms of reimbursement agreements with other governments or private sources are recorded at the time the related expenditures are made if other eligibility requirements have been met.

Expenditures are recognized in governmental funds when:

- The related liability is incurred and is due and payable in full (examples include professional services, supplies, utilities, and travel),
- The matured portion of general long-term indebtedness is due and payable (or resources have been designated in the Debt Service Fund and the debt service is payable within thirty days of fiscal year-end),
- The liability has matured and is normally expected to be liquidated with expendable available financial resources.

Under these recognition criteria, compensated absences, claims and judgments, and termination benefits are reported as fund liabilities only in the period that they become due and payable. Expenditures/liabilities not recognized in the fund-level statements are reported as expenses/liabilities on the government-wide statements.

Proprietary and Fiduciary Funds

All transactions and balances of the proprietary and fiduciary fund types are reported on the full accrual basis of accounting as described above for the government-wide statements.

**Component Units**

The University of Colorado Hospital Authority follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting. As a governmental entity, the hospital applies all GASB statements and has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board, including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

The Colorado Water Resources and Power Development Authority uses the accrual basis of accounting under which revenues are recognized when earned and expenses are recognized when the related liability is incurred. The

authority has elected to not apply Financial Accounting Standards Board pronouncements issued after November 30, 1989.

**NOTE 6 – ACCOUNTING POLICIES AFFECTING SPECIFIC ASSETS, LIABILITIES, AND NET POSITION**

**A. CASH AND POOLED CASH**

For purposes of reporting cash flows, cash and pooled cash is defined as cash-on-hand, demand deposits, certificates of deposit with financial institutions, pooled cash with the State Treasurer, and warrants payable.

**B. RECEIVABLES**

**Component Units**

The University of Colorado Foundation, the Colorado State University Foundation, and the Colorado School of Mines Foundation all record unconditional promises to give as revenue and receivable in the period that the pledge is made. The University of Colorado Foundation, the Colorado State University Foundation, and the Colorado School of Mines Foundation use the allowance method to determine the uncollectible portion of unconditional contributions receivable. The Colorado School of Mines Foundation recognizes conditional promises to give as revenue and receivable when the conditions on which the pledges are dependent are substantially met.

**C. INVENTORY**

Inventories of the various State agencies primarily comprise finished goods inventories held for resale and consumable items such as office and institutional supplies, fuel, and maintenance items.

Inventories of the governmental funds are stated at cost, while inventories of the proprietary funds are stated at the lower of cost or market. The State uses various valuation methods (FIFO, average cost, etc.) as selected by individual State agencies. The method used in each agency is consistent from year to year.

Consumable inventories that are deemed material are expended at the time they are consumed. Immaterial consumable inventories are expended at the time of purchase, while inventories held for resale are expended at the time of sale.

**D. INVESTMENTS**

**Primary Government**

Investments, including those held by the State Treasurer and reported as pooled cash, include both short and long-term investments. They are stated at fair value except for certain money market investments (see Note 14). Investments that do not have an established market are reported at their estimated fair value. The State Treasurer records investment interest in individual funds based on book yield as adjusted for amortization of investment premiums and discounts.

**Component Units**

Marketable equity and debt investments of the University of Colorado Foundation are presented at fair value based on quoted market prices; alternative investment fair values are based on national security exchange closing prices, if marketable, and on prorata share of the net assets of the investment, if not marketable. Realized and unrealized gains and losses are included in the change in net assets.

The University of Colorado Foundation has concentrations of financial instruments in cash and investments that potentially subject it to credit risk. The foundation selects credit-worthy high-quality financial institutions, but significant portions of its deposits are not insured by the FDIC. The foundation's concentrations in stocks, bonds, and alternative investments also subject it to credit risk. These investments are selected by professional managers and are monitored by the Investment Committee of the foundation's Board of Directors. Certain investment managers employ techniques such as leverage, futures and forwards contracts, option agreements, and other derivative instruments that create special risks that could adversely affect the foundation's investment portfolio valuation. Foundation management believes the investment policy is prudent for the long-term welfare of the foundation.

The mission of the Venture Capital Authority, a nonmajor component unit, is to make seed and early-stage investments in companies that are not fully established. Because of the inherent uncertainty of investment valuation where a ready market does not exist, as is the case with Venture Capital Authority investments, estimated values may differ from the values that would have been reported had a ready market existed, and the differences could be material.

**E. CAPITAL ASSETS**

**Primary Government**

Depreciable capital assets are reported at historical cost net of accumulated depreciation on the government-wide *Statement of Net Position*. Donated capital assets are carried at their fair market value at the date of donation (net of accumulated depreciation). Land, certain land improvements, construction in progress, and certain works of art or historical treasures are reported as nondepreciable assets.

The following table lists the range of capitalization thresholds established by the State as well as lower thresholds adopted by some State agencies. State agencies are allowed to capitalize assets below established thresholds. The University of Colorado has adopted a \$75,000 threshold for land and leasehold improvements as well as buildings and software.

(Amounts in Dollars)

Asset Class	Lower Capitalization Thresholds	Established State Thresholds
Land Improvements	\$ 5,000	\$ 50,000
Buildings	\$ 5,000	\$ 50,000
Leasehold Improvements	\$ 5,000	\$ 50,000
Intangible Assets	NA	\$ 50,000
Vehicles and Equipment	NA	\$ 5,000
Software (purchased)	NA	\$ 5,000
Software (internally developed)	NA	\$ 50,000
Library Books	NA	\$ 0
Collections	NA	\$ 5,000
Infrastructure	NA	\$ 500,000

All depreciable capital assets are depreciated using the straight-line method. State agencies are required to use actual experience in setting useful lives for depreciating capital assets. The following table lists the range of lives that State agencies normally use in depreciating capital assets. Certain historical buildings are depreciated over longer lives, but they are excluded from the following table.

(Amounts in Years)

Asset Class	Shortest Period Used	Longest Period Used
Land Improvements	3	50
Buildings	3	127
Leasehold Improvements	3	50
Vehicles and Equipment	3	50
Software	1.5	50
Library Books	5	20
Other Capital Assets	3	22
Infrastructure	20	75

Roads and bridges, except for right-of-way and fiber optic infrastructure, owned by the Department of Transportation and other infrastructure primarily owned by the Department of Natural Resources, are capitalized and depreciated. The Department of Transportation depreciates roadways over 40 years, and bridges over 75 years.

The State capitalizes interest incurred during the construction of capital assets that are reported in enterprise funds.

**Component Units**

The University of Colorado Hospital Authority capitalizes interest during the construction of capital assets. The authority depreciates capital assets over the estimated useful life of the asset class using the straight-line method. The hospital's long-lived assets consist primarily of leasehold improvements, buildings, building improvements, and equipment.

**F. DEFERRED REVENUE**

Under reimbursement agreements, receipts from the federal government and other program sponsors are deferred until the related expenditures occur. On the fund-level governmental financial statements, revenues related to taxes receivable that the State does not expect to collect until after the following fiscal year are deferred. However, taxes receivable are recognized as revenue on the government-wide financial statements.

**G. ACCRUED COMPENSATED ABSENCES LIABILITY**

**Primary Government**

State law concerning the accrual of sick leave was changed effective July 1, 1988. After that date all employees in classified permanent positions within the State Personnel System accrue sick leave at the rate of 6.66 hours per month. Total sick leave per employee is limited to the individual's accrued balance on July 1, 1988, plus 360 additional hours. Employees that exceed the limit at June 30 are required to convert five hours of unused sick leave to one hour of annual leave. Employees or their survivors are paid for one-fourth of their unused sick leave upon retirement or death.

Annual leave is earned at increasing rates based on employment longevity. No classified employee is allowed to accumulate more than 42 days of annual leave at the end of a fiscal year. Employees are paid 100 percent of their annual leave balance upon leaving State service.

In accordance with GASB Interpretation No. 6, compensated absence liabilities related to the governmental funds are recognized as liabilities of the fund only to the extent that they are due and payable at June 30. For all other fund

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types, both current and long-term portions are recorded as individual fund liabilities. On the government-wide *Statement of Net Position*, all compensated absence liabilities are reported.

**Component Units**

Employees of the University of Colorado Hospital Authority use paid time off (PTO) for vacation, holidays, short-term illness, and personal absences. Extended illness pay (EIP) is used to continue salary during extended absences due to medical disability, serious health conditions, or bereavement. Both PTO and EIP earnings are based on length of service and actual hours worked. The hospital records PTO expense as it is earned. Accrued EIP is based solely on amounts estimated to become payable to that portion of the employee base that will ultimately retire from the hospital.

The Colorado Water Resources and Power Development Authority recognizes unused vacation benefits as they are earned.

**H. INSURANCE**

The State has an agreement with Broadspire to act as the third party administrator for the State's self-insured workers' compensation claims. The State reimbursed Broadspire for the current cost of claims paid and related administrative expenses. Actuarially determined liabilities are accrued for claims to be paid in future years.

The State insures its property through private carriers and is self-insured against general liability risks for both its officials and employees (see Note 21). It is self-funded for employee healthcare plans, however, in the healthcare instance, the risk resides with the employees because the State contribution to the plan is subject to appropriation each year, and employees are required to cover the balance of any premiums due. The State pays the actual costs of unemployment benefits paid to separated employees rather than unemployment insurance premiums.

**I. NET POSITION AND FUND BALANCES**

In the financial statements, assets and deferred outflow of resources in excess of liabilities are presented in one of two ways depending on the measurement focus used in reporting the fund.

On the government-wide *Statement of Net Position*, the proprietary funds' *Statement of Net Position*, and the fiduciary funds' *Statement of Fiduciary Net Position*, net position is segregated into restricted and unrestricted balances. Restrictions are limitations on how the net position may be used. Restrictions may be placed on net position by the external party that provided the resources, by the State Constitution, or by the nature of the asset (such as, in the case of capital assets).

The following paragraphs describe the restrictions reported in the three financial statement types cited above:

**Net Investment in Capital Assets** – This item comprises capital assets net of accumulated depreciation if applicable. The carrying value of capital assets are further reduced by the outstanding balances of leases, bonds, or other borrowings that were used to acquire, construct, or improve the related capital asset.

**Restricted for Construction and Highway Maintenance** – Article X Section 18 of the State Constitution restricts the motor fuels tax and fee portion of the Highway Users Tax Fund. The restricted portion of the fund is appropriated for highway construction and maintenance activities.

**Restricted for Education** – The entire net assets balance of the State Education Fund, a major special revenue fund, is restricted for education purposes based on Article IX, Section 17, of the State Constitution. Section 17 is commonly referred to as Amendment 23, which references the ballot number assigned to the issue in the general election of 2000. In addition, the net position of the Public School Fund, a Special Purpose General Fund, are restricted for exclusive use in the maintenance of schools pursuant to Article IX, Section 3 of the State Constitution.

**Restricted for Unemployment Insurance** – The entire net position balance of the Unemployment Insurance Fund is reported as restricted because federal regulations limit nearly all the balance to paying unemployment insurance claims.

**Restricted for Debt Service** – The net position of the Debt Service Fund, a nonmajor governmental fund, are restricted to be used only for upcoming principal and interest payments. The net position of the governmental activities are held by the Department of Personnel & Administration and by the Department of Treasury on behalf of the Build Excellent Schools Today (BEST) program. The Higher Education Institutions Fund also reports certain balances restricted for principal and interest payments on revenue-bonded debt.

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**Restricted for Emergencies** – The General Assembly designates the fund balance of certain funds as an emergency reserve as required by Article X, Section 20 (TABOR) of the State Constitution. The requirement is to reserve for emergencies three percent or more of fiscal year spending. Fiscal year spending is defined in TABOR as all spending and reserve increases except for spending from certain excluded revenues and enterprises. State properties included as part of the required reserve are not represented in this amount. (See Note 8B for more information on the current year amount of the emergency reserve.)

**Restricted Permanent Funds and Endowments** – This item is segregated into two components. The restricted balances reported as nonexpendable are related to the principal portion of governmental Permanent Funds, such as the State Lands Fund, amounts dedicated to fund capital construction activity, and the endowment portion of the Higher Education Institutions Fund that must be maintained in perpetuity. The restricted balances reported as expendable are primarily the earnings on the related principal balances. In general these earnings can only be used for education program purposes.

**Restricted for Other Purposes** – The State operates certain funds that were established at the direction of federal government, the courts, the State Constitution, or other external parties. The most significant purposes include:

- Settlements in various funds that have been directed by the courts for specific uses in environmental remediation and consumer protection cases.
- Gaming activities pursuant to Article XVIII, Section 9 of the State Constitution restricted to provide an operating reserve, for historic preservation purposes, and for distribution to support local and State community colleges.
- Federal moneys held for mining reclamation, housing programs, scholarship trusts, and remaining funds from the Jobs and Growth Tax Relief Act of 2003.
- Aviation Fund moneys collected pursuant to Article X, Section 18 of the State Constitution.
- Lottery proceeds for parks and outdoor projects as directed by Article XXVII of the State Constitution.
- Tobacco taxes for health related programs pursuant to Article X, Section 21 of the State Constitution.

On the *Balance Sheet – Governmental Funds*, assets in excess of liabilities are reported as fund balances and are segregated between spendable and nonspendable amounts, as follows:

**Nonspendable** – This fund balance category consists of inventories, prepaid expenditures, and the corpus of permanent funds. The fund balance consist primarily of prepaid advances to counties for social assistance programs and to local entities for species conservation, and permanent funds related to state lands.

Spendable amounts are further segregated into categories based on the degree to which the uses of resources are constrained. The categorization, in part, is a result of the State's spending prioritization policy. When an expenditure is incurred that could be funded from either restricted or unrestricted sources it is the State's general policy that unrestricted dollars are spent first, and within unrestricted sources funding is allocated first from unassigned, then assigned, and then committed resources. However, in certain circumstances restricted and/or committed resources are spent without regard to other available funding sources including transfers

- to pay indirect costs,
- to fund programs operating in the General Purpose Revenue Fund,
- to support health-related programs funded by tobacco tax,
- to support programs partially funded by Highway Users' Tax funds, and
- other situations that are not individually significant.

Spendable fund balance classifications include:

**Restricted** – This classification is the portion of fund balance that is restricted by the State Constitution or external parties, and therefore, the related net position can only be expended as directed by the State Constitution or the external party.

Restrictions are in place on the *Balance Sheet – Governmental Funds* to reflect the restrictions discussed for the government-wide *Statement of Net Position*, except for Permanent Funds that are presented as Nonspendable. The emergency reserve is restricted in the Labor Fund, a nonmajor Other Special Revenue Fund, the gaming proceeds are restricted in the Gaming Fund, a nonmajor Other Special Revenue Fund, funds legally required to be held for debt service in the Debt Service Fund, an Other Governmental Fund, while the remaining restrictions are represented in various funds.

In addition to restrictions on the government-wide *Statement of Net Position*, the *Balance Sheet-Governmental Funds* includes restrictions for other financing arrangements under which the proceeds are restricted to the purpose of the issuance. There are unspent proceeds related to:

- energy efficiency projects in the Department of Corrections, in the General Purpose Revenue Fund,
- public school construction under the Building Excellent Schools Today (BEST) program, in the Special Purpose General Fund,
- the Ralph L. Carr Justice Complex, in the Special Capital Projects Fund, and
- the Colorado History Center, in the Special Capital Projects Fund.

**Committed** – This fund balance classification consists of amounts constrained by the General Assembly, the State's highest level of decision-making authority, and is the default classification for the majority of governmental funds, excluding the General Purpose Revenue Fund.

In the General Purpose Revenue Fund the Committed category represents the requirement in Colorado Revised Statutes 24-75-201.1(d) to reserve four percent of General Purpose Revenue Fund appropriations. C.R.S. 24-75-201.5(1)(a) further requires the Governor to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. Historically, the legislature has acted to reduce the four percent reserve when revenues were projected to be inadequate to fund appropriations and the reserve. In the 2009 session, the General Assembly passed legislation reducing the required reserve to two percent of General Purpose Revenue Fund appropriations for Fiscal Year 2009-10, and in the 2011 session partially restored the reserve to 2.3 percent for Fiscal Year 2010-11. In Fiscal Year 2011-12, the reserve was restored to four percent. The reserve is applicable for both GAAP and budget basis purposes. The 4.0 percent statutory reserve of \$281.1 million is reported as committed fund balance.

A portion of the Committed fund balance represents the current fiscal year appropriation that the legislature expressly encumbered by directing a rollforward to allow for availability in the subsequent fiscal year.

Committed balances also includes earned augmenting revenue, such as insurance proceeds, that state agencies are not required to revert into General Purpose Revenue Fund fund balance.

In the Capital Projects Fund, the Committed classification represents the fund balance of the Corrections Expansion Reserve and the balance of certain other projects that are allowed to maintain a fund balance. These projects are not required to revert excess cash revenue to the Capital Projects Fund.

**Assigned** – This classification represents the portion of the fund balance related to certain Fiscal Year 2011-12 appropriations that were encumbered for goods and services that were not received before June 30 due to extenuating circumstances. These balances were approved by the Colorado State Controller in accordance with Fiscal Rule 7-3 for use in supporting the receipt of the related goods and services in Fiscal Year 2012-13.

**Unassigned** – This classification is the residual classification in the General Fund, and is not shown in other governmental funds unless the fund balance is a deficit.

**J. RESTATEMENT OF BEGINNING BALANCES**

The Governmental Accounting Standards Board issues statements for financial reporting to improve the usefulness of financial information, provide consistency across entities, clarify existing provisions, and in response to changing conditions in the financial environment. When standards impact the presentation of net position, or components thereof, the resulting change is not reflected as current operating activity, but rather as an accounting change presented as a restatement of beginning balances. The implementation of GASB Statement No. 61 in Fiscal Year 2011-12 impacted legally separate entities that comprise the State's reporting entity. As a result the following entities are no longer presented as part of the reporting entity of the State of Colorado:

- University of Northern Colorado Foundation
- University of Colorado Real Estate Foundation
- Renewable Energy Authority
- Higher Education Competitive Research Authority
- Statewide Internet Portal Authority

**NOTE 7 – ACCOUNTING POLICIES AFFECTING REVENUES, EXPENDITURES/EXPENSES**

**A. PROGRAM REVENUES**

The government-wide *Statement of Activities* presents two broad types of revenues – program revenues and general revenues. All taxes, with the exception of unemployment insurance premiums used to support a business-type activity, are reported as general revenues. Unrestricted investment earnings and the court ordered awards of the Tobacco Litigation Settlement Fund, a nonmajor Other Special Revenue Fund, are also reported as general revenues. Except for transfers, permanent fund additions, and special items, all other revenues are reported as program revenues. In general, program revenues include:

- Fees for services, tuition, licenses, certifications, and inspections,
- Fines and forfeitures,
- Sales of products,
- Rents and royalties,
- Donations and contributions, and
- Intergovernmental revenues (including capital and operating grants).

**B. INDIRECT COST ALLOCATION**

The State allocates indirect costs on the government-wide *Statement of Activities*. In general, the allocation reduces costs shown in the general government functions and increases costs in the other functions and business-type activities. The allocation is based on the Statewide Appropriations/Cash Fees Plan that is derived from the Statewide Indirect Cost Allocation Plan the federal government that was approved during Fiscal Year 2011-12. The Statewide Appropriations/Cash Fees Plan includes indirect costs not chargeable to federal sources, including the majority of the Governor’s Office.

The Plan uses costs from Fiscal Year 2008-09 that were incorporated in State agency budgets in Fiscal Year 11-12. The allocation of costs between the governmental activities and business-type activities would normally result in an adjustment of internal balances on the government-wide *Statement of Net Position*. However, since the amount allocated from the governmental activities to the business-type activities is small, an offsetting adjustment is made to the Transfers line item at the bottom of the *Statement of Activities*.

Included in the allocation of indirect costs reported on the *Statement of Activities* is \$269.6 thousand of central service agency costs for Fiscal Year 2011-12 related to the American Recovery and Reinvestment Act (ARRA). The President’s Office of Management and Budget authorized the State to collect a three-year estimate of the ARRA costs from ARRA grants. The State collected the three-year estimate in Fiscal Year 2008-09 in the General Purpose Revenue Fund where the unexpended portion is included as Committed Fund Balance. Based on a three-year appropriation, the moneys not expended at the end of Fiscal Year 2011-12 will be returned to the State agency from which it was collected for use in a similar non-ARRA federal program, pending approval of the Division of Cost Allocation.

**C. OPERATING REVENUES AND EXPENSES**

The State reports three major enterprise funds, multiple nonmajor enterprise funds, and multiple internal service funds. Because these funds engage in a wide variety of activities, the State’s definition of operating revenues and expenses is highly generalized. For these funds, operating revenues and expenses are defined as transactions that result from the core business activity of the proprietary fund.

In general this definition provides consistency between operating income on the *Statement of Revenues, Expenses, and Changes in Net Position* and cash from operations on the *Statement of Cash Flows*. However, certain exceptions occur including:

- Interest earnings and expenses of proprietary funds, for which the core business activity is lending, are reported as operating revenues and expenses on the *Statement of Revenues, Expenses, and Changes in Net Position* but are reported as investing activities on the *Statement of Cash Flows*.
- Some rents, fines, donations, and certain grants and contracts are reported as nonoperating revenues on the *Statement of Revenues, Expenses, and Changes in Net Position* but are reported as cash from operations on the *Statement of Cash Flows*.

The State’s institutions of higher education have defined operating revenues and expenses as generally resulting from providing goods and services for instruction, research, public service, or related support services to an individual or entity separate from the institution.

**NOTE 8 – STEWARDSHIP, ACCOUNTABILITY, AND LEGAL COMPLIANCE**

**A. OVEREXPENDITURES**

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. In the General Purpose Revenue Fund and Regular Capital Projects Fund, if earned cash revenues plus available reserved fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general-funded expenditures. If general-funded expenditures exceed the general-funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Absent general-funded appropriations, agencies are not allowed to use general-purpose revenue to support an expenditure/expense that was appropriated from cash or federal funds. Budget-to-actual comparisons are presented in the Required Supplementary Information Section beginning on page 117. Differences noted between departmental reversions or overexpended amounts on the budgetary schedules and the overexpended amounts discussed below are due to offsetting underexpended line item appropriations.

Within the limitations discussed below, the State Controller with the approval of the Governor may allow certain overexpenditures of the legal appropriation, as provided by Colorado Revised Statutes 24-75-109. Unlimited over-expenditures are allowed in the Medicaid program. The statute also provides for \$250,000 of general-funded overexpenditure authority in the Children’s Basic Health Plan. The Department of Human Services is allowed \$1.0 million of overexpenditures not related to Medicaid and unlimited overexpenditures for self-insurance of its workers’ compensation plan. Statute also allows over-expenditures up to \$3.0 million in total for the remainder of the Executive Branch. An additional \$1.0 million of combined transfers and overexpenditures are allowed for the Judicial Branch.

The State Controller is required by statute to restrict the subsequent year appropriation whether or not an overexpenditure is approved. Such a restriction requires the agency to seek a supplemental appropriation from the General Assembly, earn adequate cash or federal revenue to cover the expenditure in the following year, and/or reduce their subsequent year’s expenditures.

Per Colorado Revised Statutes 24-75-109(2)(b), neither the Governor nor the State Controller is allowed to approve any overexpenditure in excess of the unencumbered balance of the fund from which the overexpenditure is made.

Total overexpenditures at June 30, 2012, were \$2,661,534 as described in the following paragraphs.

Approved Medicaid Overexpenditures:

- Medicaid Mental Health Capitation Payments – The Department of Health Care Policy and Financing overexpended this line item by \$20,159 of cash funds. The costs related to the ‘Adults Without Dependent Children’ population, and the ‘Expansion Adults to 100% Federal Poverty Level’ population increased due to unanticipated caseloads. Increased per capita costs for Breast & Cervical Cancer Prevention cash-funded clients added to the overexpenditure in this line item. Statute prohibits using General Purpose Revenue Fund resources for these populations.
- Health Care Expansion Fund – The Department of Health Care Policy and Financing overexpended its annotated cash fund spending authority from this fund by \$1,161,741. Revenues from the Health Care Expansion Fund earned in excess of estimated amounts were transferred to support cash-funded appropriations for Medical Services Premiums recorded in the General Purpose Revenue Fund. The spending authority in the cash fund is not appropriated, but rather it is based on the source of funds annotated in the cash-funded appropriation in the General Purpose Revenue Fund. As a result of this transfer in excess of the annotation, the general-funded appropriation in General Purpose Revenue Fund was not overexpended.
- Nursing Facility Provider Fee Cash Fund – The Department of Public Health and Environment overexpended this line item by \$812,370 of cash funds. The forecast for expenditure from this cash fund is based on a model using the nursing facility provider fees of the prior fiscal year. Actual receipts varied from the estimate and several facilities required additional adjustments to expenditures related to Administrative Law Judge rulings and audit findings. In adjusting those facilities’ expenditures, the Department’s expenditure exceeded the forecast from which the appropriation was derived.

Approved Statewide Overexpenditures Subject to the \$3.0 Million Limit:

Charter School Institute (CSI) – The Department of Education overexpended this line item by \$230,200 of cash funds. In Fiscal Year 2011-12, CSI’s enrollment increased by 33.3 percent with the addition of four schools. CSI’s categorical funding increased significantly due to student counts for the Exceptional Child Education Act, Gifted and Talented, and English Language Proficiency Act. In addition, CSI schools have been awarded some competitive grants and have carry-over

amounts from the previous fiscal year. Resulting revenues were sufficient to cover the overexpenditure.

Overexpenditures Not Allowed to Be Approved (Deficit Fund Balances):

- Department of Higher Education – CollegeInvest – Colorado Prepaid Postsecondary Education Expense Trust Fund – Operating – CollegeInvest overexpended this line item by \$437,064. The overexpenditure occurred because of unrealized losses due to changes in market conditions in the bond investment portfolio, which uses a bond laddering strategy designed to match bond investment cash flows with projected participant withdrawals. CollegeInvest expects to hold the bond investments to maturity, and therefore, it does not anticipate realizing any of these currently recognized unrealized losses.

The deferral of Medicaid expenditures and revenues for budget purposes only is authorized in CRS 25.5-8-108(5). However, those expenditures are recognized in the current fiscal year for financial statement presentation under Generally Accepted Accounting Principles (GAAP). The recognition of those expenditures on the GAAP basis resulted in fund balance deficits. Because the budget deferral that caused the GAAP deficit fund balance is in compliance with statute, no restriction of Fiscal Year 2012-13 spending authority is recommended. The following cash funds were in deficit fund balance position as a result of this Medicaid activity as of June 30, 2012:

- Department of Health Care Policy and Financing
  - Healthcare Expansion Fund - \$2,369,921
  - Medicaid Buy-In Cash Fund - \$5,167

The General Fund Surplus Schedule (page 125) shows a negative reversion of \$6.1 million for the Department of Revenue. Negative reversions normally represent an overexpenditure; however, in this instance the amount is not an overexpenditure. The reversion amount is related to \$8.3 million of excess expenditures of the Old Age Pension program, which is continuously appropriated in the appropriations act. The Department does not record additional continuously appropriated spending authority for the excess expenditure so that the General Fund Surplus Schedule and the General Fund Reversions Report will show that the appropriations act estimate was less than the actual expenditures.

A separately issued report comparing line item expenditures to authorized budget is available upon request from the Office of the State Controller.

**B. TAX, SPENDING, AND DEBT LIMITATIONS**

Certain State revenues, primarily taxes and fees, are limited under Article X, Section 20 (TABOR) of the State Constitution. The growth in these revenues from year to year is limited to the rate of population growth plus the rate of

inflation. The TABOR section of the State Constitution also requires voter approval for any new tax, tax rate increase, or new debt. These limitations apply to the State as a whole, not to individual funds, departments, or agencies of the State. Government run businesses accounted for as enterprise funds that have the authority to issue bonded debt and that receive less than ten percent of annual revenues from the State and its local governments are exempted from the TABOR revenue limits.

Since its passage in 1992, TABOR has required that annual revenues in excess of the constitutional limit be refunded to the taxpayers unless voters approved otherwise. The State first exceeded the TABOR revenue growth limit in Fiscal Year 1996-97, and it continued to exceed the limit each year until Fiscal Year 2001-02 resulting in a cumulative required refund of \$3,250.2 million for that period. State revenues did not exceed the TABOR limit in Fiscal Years 2001-02, 2002-03, or 2003-04, but again exceeded the limit resulting in a \$41.1 million required refund for Fiscal Year 2004-05.

In the 2005 general election, voters approved Referendum C – a statutory measure referred to the ballot by the Legislature that authorized the State to retain revenues in excess of the limit for the five Fiscal Years 2005-06 through 2009-10. With the end of the Referendum C five-year excess revenue retention period, the State is subject to an Excess State Revenue Cap (ESRC) starting in Fiscal Year 2010-11. Calculation of the original TABOR limit continues to apply, but the ESRC replaces the previous TABOR limit for triggering taxpayer refunds. The basis for the ESRC is the highest adjusted TABOR revenue during the five-year period which occurred in Fiscal Year 2007-08 and resulted in a Fiscal Year 2011-12 ESRC of \$10.87 billion. TABOR revenue was below the ESRC by \$602.4 million, and over the TABOR limit by \$81,469.1 million. As a result of the ESRC replacing the TABOR limit as the trigger point for refunds, refunds of \$81,469.1 million that would have occurred related to Fiscal Year 2011-12 under the TABOR limit are not required. Since the inception of Referendum C in Fiscal Year 2005-06 the State has retained \$5.8 billion, \$3.6 billion during the initial five year revenue retention period, and an additional \$2.2 billion as a result of the higher ESRC limit in Fiscal Years 2010-11 and 2011-12.

The \$0.7 million TABOR refund liability shown on the government-wide *Statement of Net Position* and the fund-level *Balance Sheet* is the unrefunded portion of the Fiscal Year 2004-05 TABOR refund liability.

TABOR requires the State to reserve three percent of fiscal year nonexempt revenues for emergencies. In Fiscal Year 2011-12 that amount was \$308,073,100.

At June 30, 2012, the financial net position of the following funds were applied to the reserve, up to the limits set in the Long Appropriations Act:

- Major Medical Fund, a portion of the nonmajor Labor Fund – \$72,850,000. The \$92,500,000 designation by the Legislature has been reduced by \$19,650,000 because that amount was transferred out of the TABOR emergency reserve to the Disaster Emergency Fund per the Governor's Executive Orders. (See additional information at the end of this Note 8B).
- Wildlife Cash Fund, a portion of the nonmajor Wildlife Enterprise Fund – \$100,000,000. The Wildlife Cash Fund's net position not invested in capital assets (net of related debt) totals \$10,004,375, and that amount is shown as restricted for emergencies on the *Combining Statement of Net Position*. The remaining \$89,995,625 of the Wildlife portion of the reserve comes from the capital assets recorded in the Wildlife Cash Fund. Without consideration of related current liabilities, the Wildlife Cash Fund held \$50,292,833 of cash and receivables that are reported as restricted.
- The Unclaimed Property Tourism Promotion Trust Fund, a portion of the nonmajor Private Purpose Trust Fund - \$1,500,000
- The 2011 legislative session Long Appropriations Act designated up to \$100,000,000 of State properties as the remainder of the emergency reserve.

The estimate of the needed reserve was based on the December 2011 revenue estimate prepared by the Legislative Council. Because the revenues subject to the TABOR reserve requirement were more than estimated, the amount designated for the reserve was \$14,073,100 less than required by the State Constitution. In the event of an emergency that exceeded the financial assets in the reserve, the designated Wildlife Cash Fund capital assets and general capital assets would have to be liquidated to meet the constitutional requirement.

In Fiscal Year 2011-12, under the direction of the Governor's Executive Orders, the State transferred \$19.7 million from the Major Medical Fund portion of the TABOR emergency reserve to the Disaster Emergency Fund to pay the costs related to the following emergencies:

- High Park Fire - \$12.0 million
- Hewlett Fire - \$3.0 million
- Duckett Fire - \$1.9 million
- Track Fire - \$1.5 million
- Shell Fire Complex - \$1.1 million
- Navajo Fire - \$0.2 million

**NOTE 9 Through 17 – DETAILS OF ASSET ITEMS**

**NOTE 9 – CASH AND POOLED CASH**

**Primary Government**

The State Treasury acts as a bank for all State agencies, with the exception of the University of Colorado. Moneys deposited in the Treasury are invested until the cash is needed. Interest earnings on these investments are credited to the General Purpose Revenue Fund unless a specific statute directs otherwise. Most funds are required to invest in noninterest bearing warrants of the General Purpose Revenue Fund if the General Purpose Revenue Fund overdraws its rights in the pool. This means that under certain conditions participating funds would not receive the interest earnings to which they would otherwise be entitled. The detailed composition of the Treasury pooled cash and investment is shown in the annual Treasurer’s Report. Where a major fund or fund category has a cash deficit, that deficit has been reclassified to an interfund payable to the General Purpose Revenue Fund – the payer of last resort for the pool.

State agencies are authorized by various statutes to deposit funds in accounts outside the custody of the State Treasury. Legally authorized deposits include demand deposits and certificates of deposit. The State’s cash management policy is to invest all significant financial resources as soon as the moneys are available within the banking system. To enhance availability of funds for investment purposes, the State Treasurer uses electronic funds transfers to move depository account balances into the Treasurer’s pooled cash.

Colorado statutes require protection of public moneys in banks beyond that provided by the federal insurance corporations. The Public Deposit Protection Act in Colorado Revised Statutes 11-10.5-107(5) requires all eligible depositories holding public deposits, including those of the State’s component units, to pledge designated eligible collateral having market value equal to at least 102 percent of the deposits exceeding the amounts insured by federal insurance. Upon liquidation of a defaulting eligible depository, the statute requires the banking board to seize the eligible collateral, liquidate the collateral, and repay the public deposits to the depositing government.

Including restricted amounts and fiduciary funds, the Cash and Pooled Cash line on the financial statements includes \$6,595.6 million (\$6,602.5 million at amortized cost) of claims of the State’s funds on moneys in the Treasurer’s pooled cash.

At June 30, 2012, the treasurer had invested \$6,541.7 million (fair value) of the pool and held \$40.8 million of demand deposits and certificates of deposit.

At June 30, 2012, the State had an accounting system cash deposit balance of \$882.3 million, which includes the \$40.8 million held as demand deposits and certificates of deposit in the Treasurer’s pool.

Under the GASB Statement No. 40 definitions, \$22.3 million of the State’s total bank balance of \$898.6 million was exposed to custodial credit risk because the deposits were uninsured and the related collateral was held by the pledging institution or was held by the pledging institution’s trust department or agent, but not in the State’s name.

**Component Units**

The University of Colorado Hospital Authority had cash deposits with a book balance of \$26.8 million at June 30, 2011, and a related bank balance of \$35.5 million. The balances are held in the authority’s name and are insured or collateralized.

The Colorado Water Resources and Power Development Authority had cash deposits with a bank balance of \$541,485 at December 31, 2011, of which \$250,000 was federally insured and \$8,900 was collateralized with securities held by the pledging institution in a collateral pool, but not in the authority’s name. An additional \$282,585 was collateralized with securities held by the pledging institution’s trust department or agent, but not in the authority’s name. The authority also reported as cash and cash equivalents \$58.4 million held by the State Treasurer in a Treasurer’s Agency Fund, \$172.8 million held in the COLOTRUST and \$6.3 million held in the Colorado Surplus Asset Fund Trust (CSAFE). Both trusts are investment pools for local government that qualify as 2a7-like investment pools, where each share is maintained at \$1.00. These trusts are not evidenced by securities, and therefore, they are not subject to custodial risk classification. Both the COLOTRUST and CSAFE have a credit quality rating of AAA, while cash held by the State Treasurer is not rated for credit quality.

At December 31, 2011, the Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, had cash deposits of \$2.2 million held by two banks paying interest at varying rates. All of the district’s cash and cash equivalents are maintained with two Denver banks resulting in a concentration of credit risk. However, the collateralized amounts were in compliance with the Public Deposit Protection Act discussed above.

The Venture Capital Authority, a nonmajor component unit, had bank deposits of \$6.7 million at December 31, 2010 – of that amount \$6.3 million was not covered by federal deposit insurance.

**NOTE 10 – NONCASH TRANSACTIONS IN THE PROPRIETARY FUND TYPES**

In the proprietary fund types, noncash transactions occur that do not affect the fund-level *Statement of Cash Flows – All Proprietary Funds*. These transactions are summarized at the bottom of the fund-level statement and the related combining statements. In order for a transaction to be reported as noncash, it must affect real accounts (that is, accounts shown on the *Statement of Net Position*) and be reported outside of the Cash Flows From Operating Activities section of the *Statement of Cash Flows*. The following general types of transaction are reported as noncash:

- Capital Assets Funded by the Capital Projects Fund – Most capital construction projects funded by general-purpose revenues are accounted for in the Capital Projects Fund. Several of the State’s enterprise and internal service funds receive capital assets funded and accounted for in this manner. These funds record Capital Contributions when the asset is received, and no cash transaction is reported on the *Statement of Cash Flows*. Certain State agencies are authorized to move general revenue cash of the Capital Projects Fund to the enterprise or internal service fund for capital projects; when this occurs, a cash transaction is reported on the *Statement of Cash Flows*.
- Donations or Grants of Capital Assets – Capital assets received as donations or directly as grants are reported as capital contributions, and no cash transaction is reported on the *Statement of Cash Flows*. Although no cash is received, these transactions change the capital asset balances reported on the *Statement of Net Position*; therefore, they are reported as noncash transactions.

- Realized/Unrealized Gain/(Loss) on Investments – Nearly all proprietary funds record unrealized gains or losses on the investments underlying the Treasurer’s pooled cash in which they participate. The unrealized gains or losses on the Treasurer’s pool are shown as increases or decreases, respectively, in cash balances. The unrealized gains or losses on investments not held in the Treasurer’s pooled cash result in increases or decreases in investment balances, and therefore, are reported as noncash transactions. The unrealized gain/loss schedule in Note 14 shows the combined effect of these two sources of unrealized gains or losses. Additionally, this line includes realized gains rolled into other investments.
- Loss on Disposal of Capital and Other Assets – When the cash received at disposal of a capital or other asset is less than the carrying value of the asset, a loss is recorded. The loss results in a reduction of the amount reported for capital or other assets on the *Statement of Net Position*, but since no cash is exchanged for the loss amount, this portion of the transaction is reported as noncash.
- Amortization of Debt Related Amounts – Amortization of bond premiums, discounts, issuance costs, and gain/(loss) on refunding adjusts future debt service amounts shown for both capital and noncapital financing activities. These transactions change the amount of capital or noncapital debt reported on the *Statement of Net Position*. Since no cash is received or disbursed in these transactions, they are reported as noncash.
- Assumption of Capital Lease Obligation or Mortgage – Although no cash is exchanged, entering a capital lease or mortgage changes both the capital asset and related liability balances reported on the *Statement of Net Position*. Therefore, these transactions are reported as noncash.
- Financed Debt Issuance Costs – When costs of debt issuance are financed by and removed from the debt proceeds, the State reports a noncash transaction.
- Fair Value Change in Derivative Instrument – When the State enters into a derivative instrument that qualifies as a hedge and has reported a deferred inflow or deferred outflow, the *Statement of Net Position* also includes a real account, either asset or liability, that is measured at fair value but does not represent a current cash transaction.

**NOTE 11 – RECEIVABLES**

**Primary Government**

The Taxes Receivable of \$1,171.5 million shown on the government-wide *Statement of Net Position* primarily comprises the following:

- \$933.2 million, mainly of self-assessed income and sales tax recorded in the General Purpose Revenue Fund. This amount is after the removal of \$262.7 million of taxes receivable expected to be collected after one year and reported as an Other Long-Term Asset (rather than Taxes Receivable) on the government-wide *Statement of Net Position*. These long-term receivables are offset by deferred revenue on the *Balance Sheet – Governmental Funds*.
- \$159.3 million of unemployment insurance premiums receivable recorded in the Unemployment Insurance Fund.
- \$41.1 million recorded in the Resource Extraction Fund as severance taxes receivable.
- \$37.8 million recorded in nonmajor special revenue funds, of which, approximately \$10.9 million is from gaming tax, \$11.1 million is insurance premium tax, and \$11.9 million is tobacco tax.

In addition, \$55.5 million of Taxes Receivable, \$34.2 million of Other Receivables, and \$91.9 million of intergovernmental receivables were recorded in the Highway Users Tax Fund. All three items were reported as restricted receivables because the State Constitution and federal requirements restrict that portion of the Highway Users Tax Fund. The tax receivable was primarily fuel taxes while the intergovernmental receivable was primarily due from the federal government.

The Other Receivables of \$489.5 million shown on the government-wide *Statement of Net Position* are net of \$219.0 million in allowance for doubtful accounts and primarily comprise the following:

- \$279.7 million of student and other receivables of Higher Education Institutions.
- \$56.9 million of receivables recorded in the General Fund, of which \$18.4 million is from interest receivable on investments. The Department of Health Care Policy and Financing also recorded receivables of \$27.3 million related primarily to rebates from drug companies and overpayments to healthcare providers, and the Colorado Mental Health Institutes recorded \$4.3 million of patient receivables.
- \$21.7 million recorded by the Resource Extraction Fund.

- \$71.3 million of receivables recorded by Other Governmental Funds including \$44.4 million of tobacco settlement revenues expected within the following year, \$5.4 million receivable from the Great Outdoors Colorado program by the Resource Management Fund, and \$7.1 million of rent and royalty receivables recorded by the State Lands Funds.

**Component Units**

The University of Colorado Hospital Authority's primary revenue source is patient service revenue of \$826.8 million, which it recorded net of third-party contractual allowances (\$1,780.8 million), indigent and charity care (\$224.8 million), provision for bad debt (\$46.4 million), and self-pay discounts (\$51.1 million). The hospital maintains a self-pay discount program to reduce uninsured patients' liabilities by up to 50 percent to a level more comparable to insured patients.

The hospital participates in the Colorado Disproportionate Share Hospital Program, and it received reimbursements from the State of \$52.3 million for Fiscal Year 2010-11. In 2010, the Colorado Health Care Affordability Act was modified, authorizing the Department of Health Care Policy and Financing to collect a fee from hospital providers in order to expand Medicaid coverage. The hospital was charged \$16.1 million out of \$441.1 million collected by the State in hospital provider fees for Fiscal Year 2010-11.

The University of Colorado Hospital Authority has a significant concentration of patient accounts receivable with Medicare (25 percent), Medicaid (10 percent), managed care (46 percent), other commercial insurance (2 percent), and self-pay and medically indigent (12 percent). However, the hospital's management does not believe there are credit risks associated with these payors other than the self-pay and medically indigent category. The authority continually monitors and adjusts its reserves and allowances associated with these receivables.

Net patient-service revenue under the Medicare and Medicaid programs in Fiscal Year 2010-11 was approximately \$251.9 million. Medicaid, Medicare, and other third-party payer programs reimburse providers at rates generally less than the hospital's billing rates. Net patient-service revenue is adjusted for these differences and is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

UNAUDITED

The hospital reports pledges at their net present value. As of June 30, 2011, the hospital reported \$3.3 million in restricted receivables related to contributions.

The Colorado Water Resources and Power Development Authority had loans receivable of \$1.3 billion at December 31, 2011. During 2011, the authority made new loans of \$101.1 million and canceled or received repayments for existing loans of \$94.9 million.

The University of Colorado Foundation contributions receivable of \$29.3 million and \$23.4 million are reported as Contributions Receivable current and noncurrent, respectively, in the *Statement of Net Position – Component Units*. At June 30, 2011, the amount reported as contributions receivable includes \$60.2 million of unconditional promises to give which were offset by a \$6.5 million allowance for uncollectible contributions and a \$1.0 million unamortized pledge discount using discount rates ranging from 0.03 percent to 5.81 percent.

At June 30, 2011, the Contributions Receivable amount shown for the Colorado State University Foundation included contributions of \$33.4 million, which were offset by \$3.9 million of unamortized pledge discounts calculated using the five-year U.S. Treasury note rate and \$0.6 million of allowance for uncollectible pledges. At June 30, 2011, contributions from two donors represented approximately 61 percent of total contributions receivable for the foundation.

At June 30, 2011, the combined current and noncurrent Contributions Receivable amount shown for the Colorado School of Mines Foundation of \$11.3 million was offset by \$0.5 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 54 percent of the foundation's contributions receivable at June 30, 2011, consists of pledges from one donor in 2011, and approximately \$3.7 million is due from trusts held by others.

The Venture Capital Authority, a nonmajor component unit, has receivables derived from sales to insurance companies of premium tax credits that were donated by the State of Colorado, which are being recognized over a 10-year period. The VCA's management determined that no allowance was necessary related to the \$16.6 million of accounts receivable from insurance companies that are reported as Contributions Receivable (\$4.1 million) and Other Long-Term Assets (\$12.5 million) on the *Statement of Net Position*. However, the authority tracks collection of

the receivables on an ongoing basis and establishes an allowance as deemed necessary.

**NOTE 12 – INVENTORY**

Inventories of \$70.4 million shown on the government-wide *Statement of Net Position* at June 30, 2012, primarily comprise:

- \$9.6 million of manufacturing inventories recorded by Correctional Industries, a nonmajor enterprise fund,
- \$32.0 million of resale inventories, of which, Higher Education Institutions recorded \$28.9 million, and
- \$20.6 million of consumable supplies inventories, of which, \$8.7 million was recorded by the Higher Education Institutions, \$8.4 million was recorded by the Highway Users Tax Fund, \$1.9 million by the General Purpose Revenue Fund, and \$1.0 million by Wildlife, a nonmajor enterprise fund.

**NOTE 13 – PREPAIDS, ADVANCES, AND DEFERRED CHARGES**

Prepays, Advances, and Deferred Charges of \$78.1 million shown on the government-wide *Statement of Net Position* are primarily general prepaid expenses except for the following individually significant items:

- \$17.4 million advanced to Colorado counties and special districts by the General Purpose Revenue Fund primarily related to social assistance programs.
- \$21.0 million advanced to conservation organizations by the Department of Natural Resources from the Species Conservation Fund, a portion of the Resource Extraction Fund.
- \$8.3 million primarily in Higher Educational Institutions related to cash payments for library subscriptions at Colorado State University.
- \$5.0 million of prize expense paid by the Colorado Lottery to a multistate organization related to participation in the Powerball lottery game.
- \$4.2 million of security deposits in the Department of Labor and Employment.

UNAUDITED

**NOTE 14 – INVESTMENTS**

**Primary Government**

The State holds investments both for its own benefit and as an agent for certain entities as provided by statute. The State does not invest its funds with any external investment pool. Funds not required for immediate payment of expenditures are administered by the authorized custodian of the funds or pooled and invested by the State Treasurer. The fair value of most of the State's investments are determined from quoted market prices except for money market investments that are reported at amortized cost, which approximates market.

Colorado Revised Statutes 24-75-601.1 authorizes the types of securities in which public funds of governmental entities, including State agencies, may be invested. Investments of the Public Employees Retirement Association discussed in Note 18 and other pension funds are not considered public funds. In general, the statute allows investment in Certificates of Participation related to a lease or lease purchase commitment, local government investment pools, repurchase and reverse repurchase agreements (with certain limitations), securities lending agreements, corporate or bank debt securities denominated in US dollars, guaranteed investment or interest contracts including annuities and funding agreements, securities issued by or fully guaranteed by the United States Treasury or certain federal entities and the World Bank, inflation indexed securities issued by the United States Treasury, general obligation and revenue debt of other states in the United States and their political subdivisions (including authorities), or registered money market funds with policies that meet specific criteria.

The statute establishes minimum credit quality ratings at the highest rating by at least two national rating agencies for most investment types. That statute also sets maximum time to maturity limits, but allows the governing body of the public entity to extend those limits. Public entities may also enter securities lending agreements that meet certain collateralization and other requirements. The statute prohibits investment in subordinated securities and securities that do not have fixed coupon rates unless the variable reference rate is a United States Treasury security with maturity less than one year, the London Interbank Offer Rate, or the Federal Reserve cost of funds rate. The above statutory provisions do not apply to the University of Colorado.

Colorado Revised Statutes 24-36-113 authorizes securities in which the State Treasurer may invest and requires prudence and care in maintaining investment principal and maximizing interest earnings. In addition to the investments authorized for all public funds, the State Treasurer may invest in securities of the federal government and its agencies and corporations without limitation, asset-backed securities, certain bankers' acceptances or bank notes, certain commercial paper certain international banks, and certain loans and collateralized mortgage obligations. The Treasurer's statute also establishes credit quality rating minimums specific to the Treasurer's investments. The Treasurer's statute is the basis for a formal investment policy published on the State Treasurer's website. In addition to the risk restrictions discussed throughout this Note 14, the Treasurer's investment policy precludes the purchase of derivative securities.

The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments in those prior periods. In Fiscal Year 2011-12, the State Treasurer realized gains from the sale of investments held for the Public School Permanent Fund of \$183,036, for the Unclaimed Property Tourism Trust Fund of \$12,037, for the Major Medical Fund of \$23,951, and for the Treasurer's pooled cash of \$368,098.

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2012 and 2011, the treasurer had \$22.9 million and \$30.6 million at fair value, respectively, of GOCO's funds on deposit and invested.

The investment earnings of the Unclaimed Property Tourism Trust Fund, a nonmajor special revenue fund, are assigned by law to the Colorado Travel and Tourism Promotion Fund, a nonmajor special revenue fund, to the State Fair, a nonmajor enterprise fund, and to the Agriculture Management Fund, a nonmajor special revenue fund.

As provided by State statute, the State Treasurer held \$6.9 million of investment in residential mortgages by paying the property taxes of certain elderly State citizen homeowners that qualify for the program. The investment is valued based on the outstanding principal and interest currently owed to the State as there is no quoted market price for these investments.

UNAUDITED

The State Treasurer held Colorado Housing and Finance Authority bonds, a related party, totaling \$8.6 million as of June 30, 2012. See Note 40 for additional details.

The Colorado State University, reported in the Higher Education Institutions Fund, held \$1,012,981 of hedge funds that were valued based on the net asset value reported by the hedge fund manager. The net asset value

is computed based on dealer quotations on the fair market value of the underlying securities – the majority of which are traded on national exchanges.

Excluding fiduciary funds, the State recognized \$605,164 of net realized losses from the sale of investments held by State agencies other than the State Treasurer during Fiscal Year 2011-12.

The following schedule reconciles deposits and investments to the financial statements for the primary government including fiduciary funds:

(Amounts in Thousands)	
Footnote Amounts	Carrying Amount
Deposits (Note 9)	\$ 882,286
Investments:	
Governmental Activities	7,553,095
Business-Type Activities	2,223,675
Fiduciary Activities	4,325,406
Pooled Cash Investments Sold But Not Settled	20,000
Total	<u>\$ 15,004,462</u>
Financial Statement Amounts	
Net Cash and Pooled Cash	\$ 5,096,306
Add: Warrants Payable Included in Cash	197,334
Total Cash and Pooled Cash	5,293,640
Add: Restricted Cash	2,150,353
Add: Restricted Investments	886,311
Add: Investments	6,674,158
Total	<u>\$ 15,004,462</u>

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**Custodial Credit Risk**

The State Treasurer’s investment policy requires all securities to be held by the State Treasurer or a third party custodian designated by the Treasurer with each security evidenced by a safekeeping receipt. Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the State’s name, and are held by either the counterparty to the investment purchase or are held by the counterparty’s trust department or agent but not held in the State’s name.

Open-end mutual funds and certain other investments are not subject to custodial risk because ownership of the investment is not evidenced by a security. The following table lists the investments of the State Treasurer’s pooled cash, major governmental funds, and nonmajor governmental funds in the aggregate, by investment type at fair value.

The *Other* category of the General Fund comprises the issuance trustee’s deposit of proceeds from Certificates of Participation issued for local school district capital construction under the Build Excellent Schools Today (BEST) program. The \$283.3 million is reported in the Public School Buildings Fund, a Special Purpose General Fund.

Certain trustees have selected the State Treasurer’s pool as their primary investment vehicle. The Treasurer accounts for the trustees’ deposits in agency funds, and the investment types and related risks are disclosed through the Treasurer’s pool investments. The *Other* category of the Other Governmental funds primarily comprises the issuance trustee’s deposit of unexpended proceeds from Certificates of Participation issued for the Ralph L. Carr Justice Complex (\$27.3 million reported in a Special Capital Projects Fund) and the Colorado History Center (\$1.6 million reported in a Special Capital Projects Fund). This category also includes the remaining \$20.9 million of unexpended BEST issuances reported in the Debt Service Fund, an Other Governmental fund.

None of the securities listed in the table below are subject to custodial credit risk:

(Amounts in Thousands)

INVESTMENT TYPE	Governmental Activities			
	Treasurer's Pool	General Fund	Other Governmental	Total
U.S. Government Securities	\$ 4,921,944	\$ -	\$ 143,691	\$ 5,065,635
Commercial Paper	134,983	-	-	134,983
Corporate Bonds	1,055,964	-	205,857	1,261,821
Asset Backed Securities	323,118	-	25,228	348,346
Mortgages Securities	105,698	6,864	289,712	402,274
Mutual Funds	-	-	5,131	5,131
Other	-	283,339	51,566	334,905
<b>TOTAL INVESTMENTS</b>	<b>\$ 6,541,707</b>	<b>\$290,203</b>	<b>\$ 721,185</b>	<b>\$ 7,553,095</b>

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The following table lists the investments of the major enterprise funds, nonmajor enterprise funds in the aggregate, and fiduciary funds by investment type at fair value. Investment types included in the *Other* category for Higher Education Institutions primarily consist of: Private Equities (\$36.3 million), Absolute Return Funds (\$42.2 million), Real Estate (\$21.3 million), Venture Capital (\$14.9 million), and the issuance trustee’s deposit of proceeds from Certificates of Participation (COPs) issued for Higher Education capital construction (\$9.5 million), and Municipal Bonds (\$8.6 million). The trustee has selected the State Treasurer’s pool as its primary investment vehicle. The Treasurer accounts for the trustee’s deposit in an agency fund, and the investment types and related risks are disclosed through the Treasurer’s pool investments.

The *Other* category of the Other Enterprise funds comprise the Bridge Enterprise trustee’s holdings that include unexpended proceeds from the prior year \$284.1 million bond issuance.

The *Other* category of the Fiduciary funds represents a funding agreement with MetLife (\$45.6 million) held by CollegeInvest in its College Savings Plan, a Private Purpose Trust Fund.

The table below also shows the fair value of securities held by these funds that are subject to custodial credit risk.

(Amounts in Thousands)

INVESTMENT TYPE	Business-Type Activities			Fiduciary
	Higher Education Institutions	Other Enterprises	Total	Fiduciary
U.S. Government Securities	\$ 290,832	\$ 8,081	\$ 298,913	\$ 16,859
Bank Acceptances	4,050	-	4,050	-
Commercial Paper	2,001	-	2,001	-
Corporate Bonds	170,356	15,711	186,067	-
Corporate Securities	133,588	-	133,588	-
Repurchase Agreements	199,539	-	199,539	899
Asset Backed Securities	18,235	-	18,235	-
Mortgages Securities	109,780	-	109,780	-
Mutual Funds	811,692	18,235	829,927	4,262,002
Guaranteed Investment Contracts	3,342	-	3,342	-
Other	154,144	284,089	438,233	45,646
<b>TOTAL INVESTMENTS</b>	<b>\$ 1,897,559</b>	<b>\$ 326,116</b>	<b>\$ 2,223,675</b>	<b>\$ 4,325,406</b>
<b>INVESTMENTS SUBJECT TO CUSTODIAL RISK</b>				
U.S. Government Securities	\$ 353	\$ -	\$ 353	\$ 3,559
Corporate Bonds	2,075	-	2,075	-
Corporate Securities	10,063	-	10,063	-
Repurchase Agreements	-	-	-	899
Mortgages Securities	2	-	2	-
<b>TOTAL SUBJECT TO CUSTODIAL RISK</b>	<b>\$ 12,493</b>	<b>\$ -</b>	<b>\$ 12,493</b>	<b>\$ 4,458</b>

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**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.

(Amounts In Thousands)

	U.S. Govt. Agencies	Commercial Paper	Corporate Bonds	Repurchase Agreements	Asset Backed Securities	Money Market Mutual Funds	Bond Mutual Funds	Guaranteed Investment Contract	Municipal Bonds & Other	Total
<b>Treasurer's Pool:</b>										
Long-term Ratings										
Gilt Edge	\$ -	\$ -	\$ 40,857	\$ -	\$ 323,118	\$ -	\$ -	\$ -	\$ -	\$ 363,975
High Grade	1,251,070	-	440,459	-	105,698	-	-	-	-	1,797,227
Upper Medium	-	-	562,561	-	-	-	-	-	-	562,561
Lower Medium	-	-	12,086	-	-	-	-	-	-	12,086
Very Speculative	-	-	-	-	-	-	-	-	-	-
Short-term Ratings										
Highest	2,951,329	134,983	-	-	-	-	-	-	-	3,086,312
<b>Higher Education Institutions:</b>										
Long-term Ratings										
Gilt Edge	\$ 2,146	\$ -	\$ 4,139	\$ -	\$ 16,893	\$ 220,153	\$ 442	\$ -	\$ 8,153	\$ 251,926
High Grade	92,016	-	32,690	-	6,277	-	70	-	-	131,053
Upper Medium	3,628	-	90,528	-	6,299	-	51	-	375	100,881
Lower Medium	-	-	37,152	-	2,319	-	38	-	-	39,509
Speculative	-	-	1,659	-	795	-	19	-	-	2,473
Very Speculative	-	-	85	-	2,101	-	6	-	-	2,192
High Default Risk	-	-	-	-	5,107	-	13	-	-	5,120
Default	-	-	-	-	1,252	-	-	-	-	1,252
Short-term Ratings										
Highest	-	2,001	49	-	-	-	-	-	-	6,100
Unrated	32,814	-	2,217	199,539	86,093	44,142	138,421	-	1,019	504,245
<b>Fiduciary Funds:</b>										
Long-term Ratings										
Gilt Edge	\$ -	\$ -	\$ -	\$ 899	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 899
High Grade	6,419	-	-	-	-	-	-	-	-	6,419
Unrated	-	-	-	-	-	4,262,002	-	-	-	4,262,002
<b>All Other Funds:</b>										
Long-term Ratings										
Gilt Edge	\$ -	\$ -	\$ 13,328	\$ -	\$ 25,228	\$ 2,195	\$ -	\$ -	\$ -	\$ 40,751
High Grade	80,111	-	105,362	-	281,100	-	3,520	3,383	-	473,476
Upper Medium	-	-	83,555	-	-	-	-	-	-	83,555
Lower Medium	-	-	16,489	-	-	-	-	-	-	16,489
Unrated	-	-	-	-	15,476	14,152	-	-	-	29,628

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**Interest Rate Risk**

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. The State manages interest rate risk using either weighted average maturity or duration. Weighted average maturity is a measure of the time to maturity, measured in years, that has been weighted to reflect the dollar size of individual investments within an investment type. Various methods are used to measure duration; in its simplest form duration is a measure, in years, of the time-weighted present value of individual cash flows from an investment divided by the price of the investment.

The University of Colorado operates a treasury function separate from the State Treasurer and uses duration to measure and manage interest rate risk for most of its investments. However, University Physicians Incorporated (UPI), a blended component unit of the University of Colorado, manages interest rate risk using weighted average maturity and limits the time to maturity of individual investments to no more than ten years, based on the credit quality rating.

State statute requires the State Treasurer to formulate investment policies regarding liquidity, maturity, and diversification for each fund or pool of funds in the State Treasurer's custody. The State Treasurer's formal investment policy requires a portion of the investment pool to have a maximum maturity of one year and the balance of the pool to have maximum maturity of five years with the

average maturity of the pool not to exceed two and one-half years. The policy also sets maximum maturity limits for certain individual funds for which the Treasurer manages investments including the Public School Permanent Fund (4 - 6 years), the Major Medical Insurance Fund (5 - 8 years), and the Unclaimed Property Tourism Promotion Trust Fund (5 - 10 years).

The CollegeInvest program has investments reported in the College Savings Plan, a Private Purpose Trust Fund. CollegeInvest uses duration to manage the interest rate risk of selected mutual funds in the College Savings Plan. CollegeInvest's Private Purpose Trust Fund holds inflation protected bond mutual funds in the amount of \$39.2 million that have duration of 8.1 years. These securities are excluded from the duration table on the following page because interest rate risk is effectively mitigated by the inflation protection attribute of the securities.

The following table shows the weighted average maturity and fair value amount for those investments managed using the weighted average maturity measure. The 12.961-year weighted average maturity reported in the Fiduciary Funds represents the Lottery's laddering of U.S. Government bonds to match a prize annuity. The Lottery plans to hold these investments to maturity.

(Dollar Amounts in Thousands, Weighted Average Maturity in Years)

Investment Type	Treasurer's Pool		Higher Education Institutions		Fiduciary Funds		All Other Funds	
	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity
U.S. Government Securities	\$ 4,921,944	0.803	\$ 63,612	4.892	\$ 12,674,943	12.961	\$ 151,772	3.961
Bank Acceptances	-	-	4,050	-	-	-	-	-
Commercial Paper	134,983	0.090	2,001	0.497	-	-	-	-
Corporate Bonds	1,055,964	3.252	52,860	2.860	-	-	219,768	6.179
Asset Backed Securities	428,816	2.379	3,576	4.160	-	-	314,941	3.561
Municipal Bonds	-	-	-	-	-	-	3,383	12.460
<b>Total Investments</b>	<b>\$ 6,541,707</b>		<b>\$ 126,099</b>		<b>\$ 12,674,943</b>		<b>\$ 689,864</b>	

The University of Colorado manages interest rate risk in its Treasurer's pool using a measure of duration. The University's Investment Advisory Committee recommends limits on the duration of fixed income securities using Callan Associates Incorporated data.

The University of Colorado participated in tri-party repurchase agreements of \$199,539,173 to provide temporary investment of funds restricted for capital construction projects. The counterparty to the agreements is required to provide additional collateral when the fair value of U.S. Government securities and U.S. Government agencies securities provided as collateral declines below 104 percent or 105 percent, respectively. As a

result, the university does not have interest rate risk associated with these agreements. The \$199.5 million is not shown in the following duration table; however, the duration associated with the repurchase agreements is 1.5 years.

The University of Colorado has invested \$24,076,495 in U.S. Treasury Inflation Protected Securities with duration of 1.9 years. The interest rate risk of this investment is effectively mitigated by the inflation protection attribute of the investment, and therefore, it is excluded from the weighted average maturity table above and the following duration table.

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Trustees, separate of the State, issued Certificates of Participation that had remaining balances on deposit with the State Treasurer for the Higher Education Institutions Lease Purchase Financing Program (\$9.5 million reported in the Higher Education Institutions Fund), the Building Excellent Schools Today (BEST) program (\$283.3 million primarily reported in the Public School Buildings Fund, a Special Purpose General Fund), the Ralph L. Carr Justice Complex (\$27.3 million reported in a Special Capital Projects Fund), and the Colorado History Center (\$1.6 million reported in a Special Capital Projects Fund). The Treasurer also held deposits of the Department of

Transportation's Bridge Enterprise trustees' notes and bonds (\$284.1 million reported in the Transportation Enterprise, a nonmajor enterprise fund). In each instance the trustees selected the State Treasurer's pool as their primary investment vehicle. The trustees' investment in the pool is not segregated, but is a share in the overall pool. See above for interest rate risk affecting the pool.

The table below presents the fair value amount and duration measure for State agencies that manage some or all of their investments using the duration measure.

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Duration
<b>Enterprise Funds:</b>		
Higher Education Institutions:		
University of Colorado:		
U.S. Treasury Bonds and Notes	\$ 69,465	6.330
U.S. Treasury Strips	979	2.100
U.S. Government Agency Notes	127,329	5.440
U.S. Government Agency Strips	2,420	1.520
U.S. Government Saving Bonds	54	9.990
Municipal Bonds	85,835	8.270
Corporate Bonds	114,854	6.200
Certificates of Deposit	963	4.640
Asset Backed Securities	123,558	14.370
Bond Mutual Funds	138,421	2.100
Colorado State University:		
Bond Mutual Funds	\$ 640	2.800
Colorado School of Mines:		
Corporate Bonds	\$ 1,872	4.740
Colorado Mesa University:		
U.S. Government Securities	\$ 880	3.990
Corporate Bonds	770	5.391
Bond Mutual Funds	156	4.300
Taxable Municipal Bonds	\$ 117	10.870
<b>Private Purpose Trust:</b>		
CollegeInvest:		
Bond Mutual Fund-1	\$ 85,109	3.900
Bond Mutual Fund-2	36,988	5.100
Bond Mutual Fund-3	501,595	5.100
Bond Mutual Fund-4	520,779	4.800
Bond Mutual Fund-5	266,688	1.700
Bond Mutual Fund-6	1,641	2.750
Bond Mutual Fund-7	2,016	12.750
Bond Mutual Fund-8	362	7.750

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**Foreign Currency Risk**

Some of the University of Colorado Treasury's investments are exposed to certain foreign currency risks. The University's investment policy allows but does not require hedging of this risk. The University also held investments in equities denominated in the following currencies (U.S. dollar amounts in millions): Euro Dollar - \$26.6, British Pound - \$25.5, Japanese Yen - \$14.8, Swiss Franc - \$10.5, Brazilian Real - \$5.2, Chinese Yuan - \$6.4, Korean Won - \$3.9, Canadian Dollar - \$4.0, Australian Dollar - \$3.9, Swedish Kroner - \$2.8, and Russian Ruble - \$1.3, Denmark Kroner - \$2.8, Hong-Kong Dollar - \$2.9, Indian Rupee - \$1.1, Mexican Peso - \$2.0, Singapore Dollar - \$1.1, South African Rand - \$3.4, Taiwan Dollar - \$1.6 and various other currencies totaling \$4.3 million within the investment.

State statute requires the State Treasurer to invest in domestic fixed income securities and does not allow foreign currency investments.

**Concentration of Credit Risk**

The State Treasurer's formal investment policy sets minimum and maximum holding percentages for each investment type for the investment pool and for certain of the individual funds for which the State Treasurer manages investments. The pool and each of the individual funds may be 100 percent invested in U.S. Treasury securities with more restrictive limits (ranging from 5 percent to 90 percent) set for the other allowed investment types. For the pool and the other funds for which the Treasurer manages investments, the policy sets maximum concentrations in an individual issuer for certain investment types. As of June 30, 2012, the holding percentages for each investment type for each pool were less than five percent of total investments. As a result the State is not subject to a concentration of credit risk.

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**Unrealized Gains and Losses**

Unrealized gains and losses are a measure of the change in fair value of investments (including investments underlying pooled cash) from the end of the prior fiscal year to the end of the current fiscal year. With the

implementation of GASB Statement No. 54, unrealized gains are not identified as a separate component of fund balance. The following schedule shows the State's net unrealized gains and (losses) for all funds by fund category.

	(Amounts in Thousands)	
	Fiscal Year 2011-12	Recast Fiscal Year 2010-11
<b>Governmental Activities:</b>		
<b>Major Funds</b>		
General-General Purpose	\$ 3,739	\$ (5,437)
General-Special Purpose	268	(385)
Resource Extraction	(140)	(3,335)
Highway Users Tax	(1,450)	(6,963)
Capital Projects-Regular	633	(2,659)
Capital Projects-Special	(165)	(79)
State Education	(924)	(3,472)
<b>NonMajor Funds:</b>		
State Lands	4,095	(5,192)
Other Permanent Trusts	(12)	(44)
Labor	(569)	(331)
Gaming	(303)	(1,009)
Tobacco Impact Mitigation	(30)	(2,143)
Resource Management	(10)	(42)
Environment Health Protection	224	(1,186)
Other Special Revenue	(253)	(193)
Unclaimed Property	3,214	(1,650)
Information Technology	63	140
Highways (Internal Service)	(7)	(12)
Administrative Courts	(4)	17
Other Internal Service	-	3
<b>Business-Type Activities:</b>		
<b>Major Funds</b>		
Higher Education Institutions	(21,407)	95,536
Lottery	(149)	(246)
<b>NonMajor Funds:</b>		
CollegeInvest	1,154	1,834
Parks and Wildlife	(116)	(613)
College Assist	(254)	(619)
State Fair Authority	(7)	(8)
Correctional Industries	(17)	(46)
State Nursing Homes	75	(42)
Prison Canteens	(2)	(86)
Petroleum Storage Tank	(41)	(22)
Transportation Enterprise	749	(272)
Other Enterprise Activities	57	(47)
<b>Fiduciary:</b>		
Pension/Benefits Trust	323	(437)
Private Purpose Trust	26,199	562,745
	<u>\$ 14,934</u>	<u>\$ 623,705</u>

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**Component Units**

Component units that are identified as foundations apply neither GASB Statement No. 3 nor GASB Statement No. 40 because they prepare financial statements under standards set by the Financial Accounting Standards Board. Therefore, the foundation investment disclosures are presented separately from the other component units.

**Component Units – Non-Foundations**

Investments of the University of Colorado Hospital Authority are reported at fair values which are based on quoted market prices, if available, or estimated using market prices for similar securities. Interest, dividends, and realized and unrealized gains and losses are based on the specific identification method and are included in nonoperating income when earned. Restricted investments of the authority include assets held by trustees under bond indenture and insurance agreements. The following table shows the authority's investments at June 30, 2011:

(Amounts in Thousands)	
INVESTMENT TYPE	Total
Cash Equivalents	\$ 259,747
U.S. Government Securities	107,721
Corporate Bonds	72,386
Corporate Securities	325,013
Asset Backed Securities	14,316
Mutual Funds	142,396
Guaranteed Investment Contracts	854
Other	(14,498)
<b>TOTAL INVESTMENTS</b>	<u>\$ 907,935</u>

(Amounts In Thousands)					
U.S. Govt. Agencies	Corporate Bonds	Asset Backed Securities	Guaranteed Investment Contract	Total	
Long-term Ratings					
Gilt Edge	\$ 24,606	\$ 1,171	\$ -	\$ -	\$ 25,777
High Grade	-	26,580	14,316	854	41,750
Upper Medium	-	36,135	-	-	36,135
Lower Medium	-	6,411	-	-	6,411
Speculative	-	928	-	-	928
Unrated	-	1,161	-	-	1,161

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Except for guaranteed investment contracts which are excluded, the Colorado Water Resources and Power Development Authority's investment policy allows investments consistent with those authorized for governmental entities by State statute as described at the beginning of this Note 14. The authority's repurchase agreements were all subject to custodial credit risk because its trustee is considered both the purchaser and the custodian of the investments, which are not held in the authority's name.

The Colorado Water Resources and Power Development Authority's investments at December 31, 2011, were:

(Amounts in Thousands)	
INVESTMENT TYPE	Total
U.S. Government Securities	\$ 110,351
Repurchase Agreements	179,173
<b>TOTAL INVESTMENTS</b>	<u>\$ 289,524</u>

The Venture Capital Authority, a nonmajor component unit, through its limited partnership with High Country Venture LLC (General Partner), makes equity investments solely in seed and early stage Colorado companies. Because the Authority does not invest in foreign or fixed income securities, credit quality, interest rate, and foreign currency risks are not applicable to the Authority's investments.

**Credit Quality Risk**

The University of Colorado Hospital Authority's investment policy is based on the prudent-person rule, and it limits credit ratings to AAA or AA for U.S. agency and mortgage-backed securities and Baa or BBB rated or better for other investment types. The table below presents the credit quality ratings by investment type for the authority at June 30, 2011:

The Colorado Water Resources and Power Development Authority's repurchase agreements are collateralized with U.S. Treasuries, Government Agencies and obligations explicitly guaranteed by the U.S. Government. All existing repurchase agreements specify a collateralization rate between 103 percent and 105 percent. Government agency securities collateralizing the repurchase agreements are all rated AAA. U.S. Treasuries and obligations guaranteed by the U.S. Government that collateralize the repurchase agreements are exempt from credit risk disclosure under GASB 40, therefore a rating agency assessment.

CoverColorado, a nonmajor component unit, holds bonds of U.S. Government agencies, corporate bonds guaranteed by U.S. Government agencies, and certificates of deposit insured by FDIC. The investments were rated Aaa by Moody's Investors Service at the dates of purchase.

**Interest Rate Risk**

The University of Colorado Hospital Authority manages its exposure to interest rate risk by limits set on the duration of its investment portfolio. The following table presents the dollar-weighted modified duration of the major classes of authority investments at June 30, 2011:

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Duration
U.S. Government Securities	\$ 40,733	4.235
Corporate Bonds	72,386	2.219
Asset Backed Securities	14,316	1.270

The Colorado Water Resources and Power Development Authority manages interest rate risk by matching investment maturities to the cash flow needs of its future bond debt service and holding those investments to maturity. The authority had \$289.5 million of investments subject to interest rate risk with the following maturities; one year or less – 12 percent, two to five years – 25 percent, six to ten years – 29 percent, eleven to fifteen years – 21 percent, and 16 years or more – 13 percent. The authority has entered into agreements that allow it to sell U.S. Treasury bonds at fixed amounts that will provide the authority with funds to make debt service payments in the event that a borrower fails to make loan payments to the authority.

CoverColorado, a nonmajor component unit, manages interest rate risk by matching investment maturities with the cash flow needs of its operations. The authority had \$81.5 million of investments subject to interest rate risk with the following maturities; one year or less – 37 percent, one to two years – 58 percent, and two to three years – 5 percent.

**Foreign Currency Risk**

The University of Colorado Hospital Authority's investment policy manages foreign currency risk by limiting the allocation percentage of international mutual funds to less than 15 percent of total investments. At June 30, 2011, the authority had the following foreign currency exposures in United States dollars: Euro Dollar - \$21.7 million, British Pound - \$9.7 million, Swiss Franc - \$4.5 million, Japanese Yen - \$4.3 million, Chinese Yuan - \$3.3 million, Canadian Dollar - \$2.3 million, South Korean Wan - \$1.9 million, Brazilian Real - \$1.8 million, Hong Kong Dollar - \$1.6 million, Norwegian Kroner - \$1.3 million, and Taiwan New Dollar - \$1.2 million. An additional \$5.9 million was held in various international currencies, none of which exceeded \$1.0 million.

**Concentration of Credit Risk**

At June 30, 2011, no single investment of the University of Colorado Hospital Authority exceeded five percent of total investments. This was consistent with the authority's policy that limits non-U.S. Government investments to no more than ten percent in any one issuer at the time of purchase.

CoverColorado, a nonmajor component unit, does not limit the amount invested in a single issuer. At December 31, 2011, all of its investments were held by a single issuer and were therefore subject to concentration of credit risk.

**Investments Highly Sensitive to Interest Rate Risk**

The University of Colorado Hospital Authority also uses interest rate swap agreements to manage interest costs and risks associated with changing interest rates.

At June 30, 2011, the University of Colorado Hospital Authority was party to a floating-to-fixed rate swap having a notional value of \$71.2 million and a floating-to-fixed rate swap having a notional value of \$100.2 million. At June 30, 2011, the agreements had fair values of (\$7,597,000) and (\$12,182,000), respectively, and are scheduled to terminate in 2031 and 2033, respectively.

Realized and unrealized gains and losses on the swap agreements are reported as investment income on the *Statement of Revenue, Expenditures, and Changes in Fund Net Position – Component Units*. During Fiscal Year 2010-11, the two swaps produced a net cash outflow of approximately \$5.3 million. None of the hospital's swaps qualified for hedge accounting.

**Component Units – Foundations**

The three Higher Education Institution foundations reported as component units on the *Statement of Net Position – Component Units* do not classify investments according to risk because they prepare their financial statements under standards set by the Financial Accounting Standards Board.

At June 30, 2011, the University of Colorado Foundation held \$250.9 million of domestic equity securities, \$191.3 million of international equity securities, \$178.3 million of fixed income securities, \$436.4 million of alternative investments including real estate, private equities, hedge funds, absolute return funds, venture capital, oil and gas assets, and other investments. The fair value of the alternative investments has been estimated in the absence of readily available market information, and those values may vary significantly from actual liquidation values. The foundation's spending policy allows for the distribution of the greater of 4.0 percent of the current market value of the endowment or 4.5 percent of the endowment's trailing thirty-six month average fair market value. The foundation's investment income of \$123.2 million is net of \$5.5 million of investment fees and comprises \$12.2 million of interest and dividends, \$19.0 million of realized gains, and \$97.5 million of unrealized gains.

At June 30, 2011, the Colorado State University Foundation held \$123.8 million of equity securities, \$148.3 million of alternative investments (comprising hedge equities, absolute return, and private equity investments), \$20.6 million of fixed income securities, and \$4.2 million in cash and other investments.

The Colorado School of Mines Foundation's (CSMF) current spending policy allows 6.5 percent (net of investment and administrative fees and expenses) of the three-year average of investment fair value to be distributed. The foundation holds alternative investments that are not readily marketable but are carried at the fair value reported by the investment managers. At June 30, 2011, the CSMF held bonds and bond mutual funds totaling \$29.3 million, stocks and stock mutual funds totaling \$71.1 million, and investments in limited partnerships and real estate totaling \$81.9 million in its long-term investments pool.

Of the foundation's \$216.1 million of investments, \$16.6 million, or 7.7 percent, was related to split interest agreements. CSMF is also the beneficiary of an endowment valued at \$7.9 million and several long-term trusts valued at \$1.3 million which are reported as Investments on the *Statement of Net Position – Component Units*. Forty-five percent of the foundation's investment portfolio is invested in limited partnerships and venture capital organizations, some of which are offshore entities and some of which include derivative investments. Since there is no ready market available for these investments, the estimated value may vary significantly from a valuation at a subsequent date.

**NOTE 15 – TREASURER’S INVESTMENT POOL**

Participation in the State Treasurer’s cash/investment pool is mandatory for all State agencies with the exception of Colorado Mesa University and the University of Colorado and its blended component units; however, Colorado Mesa University does participate in the Treasurer’s Pool. The Treasurer determines the fair value of the pool’s investments at each month-end for performance tracking purposes. Short-term realized gains, losses, and interest earnings, adjusted for amortization of investment premiums and discounts, are distributed monthly. If the statutes authorize the participant to receive interest and investment earnings, these gains or losses are prorated according to the average of the participant’s daily balance during the month.

**NOTE 16 – OTHER LONG-TERM ASSETS**

**Primary Government**

The \$835.1 million shown as Other Long-Term Assets on the government-wide Statement of Net Position is primarily long-term taxes receivable, long-term loans, and deferred debt issuance costs. Long-term taxes receivable of \$262.7 million and \$55.5 million recorded in the General Purpose Revenue Fund and the Highway Users Tax Fund, respectively, are not segregated on the Balance Sheet – Governmental Fund, but are shown in Taxes Receivable and Restricted Receivables, respectively, and the taxes receivables are offset by Deferred Revenue.

The \$439.0 million of Other Long-Term Assets shown on the fund-level *Balance Sheet – Governmental Funds* is primarily related to loans issued by the Highway Users Tax Fund (\$13.2 million), a major special revenue fund, and the Resource Extraction Fund (\$397.6 million), a major special revenue fund. This balance primarily comprises water loan activity. The Water Conservation Board makes water loans from the Water Projects Fund, part of the Resource Extraction Fund, to local entities for the purpose of constructing water projects in the State.

The water loans are made for periods ranging from 10 to 30 years. Interest rates range from 2 to 6 percent for most projects, and they require the local entities or districts to make a yearly payment of principal and interest.

The \$122.3 million shown as Other Long-term Assets on the Statement of Net Position – Proprietary Funds is primarily student loans issued by Higher Education Institutions, but also includes deferred debt issuance costs and livestock.

**Component Units**

In 2011 the Colorado Water Resources and Power Development Authority reported \$46.5 million in Securities Not Held for Investment, of which \$27.5 million was short-term and \$19.0 million was long-term. The securities were purchased with Water Revenue Bonds Program 2010 Series A and 2011 Series C bond proceeds, on behalf of governmental agencies that entered into loan agreements with the Authority. The securities mature in alignment with the borrowers’ projected construction cost schedule and the borrowers retain the risk of loss related to the value of the securities.

**NOTE 17 – CAPITAL ASSETS**

**Primary Government**

During Fiscal Year 2011-12 the State capitalized \$35.8 million of interest incurred during the construction of capital assets. The majority of this interest was capitalized by Institutions of Higher Education in the amount of \$31.6 million, while the remainder was attributable to the Bridge Enterprise Program in the Department of Transportation.

The schedule on the following page shows the capital asset activity for Fiscal Year 2011-12. The restatement of beginning balances was a result of error corrections in the Department of Transportation and the merger of the Division of Parks and Wildlife (See Note 29).

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	(Amounts in Thousands)				
	Restated Beginning Balance	Increases	CIP Transfers	Decreases/ Adjustments	Ending Balance
<b>GOVERNMENTAL ACTIVITIES:</b>					
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ 72,895	\$ 21,215	\$ -	\$ 181	\$ 94,291
Land Improvements	2,381	-	2,436	-	4,817
Collections	8,976	-	-	3	8,979
Construction in Progress (CIP)	797,818	669,248	(548,006)	(7,650)	911,410
Infrastructure	880,540	5	17,215	-	897,760
<b>Total Capital Assets Not Being Depreciated</b>	<b>1,762,610</b>	<b>690,468</b>	<b>(528,355)</b>	<b>(7,466)</b>	<b>1,917,257</b>
<b>Capital Assets Being Depreciated:</b>					
Leasehold and Land Improvements	41,557	551	1,785	-	43,893
Buildings	1,755,575	16,221	255,224	(877)	2,026,143
Software	209,760	7,592	19,075	(27)	236,400
Vehicles and Equipment	635,644	53,996	359	(11,493)	678,506
Library Materials and Collections	6,436	328	-	(97)	6,667
Other Capital Assets	31,047	17,040	-	(988)	47,099
Infrastructure	9,913,249	-	251,912	(371)	10,164,790
<b>Total Capital Assets Being Depreciated</b>	<b>12,593,268</b>	<b>95,728</b>	<b>528,355</b>	<b>(13,853)</b>	<b>13,203,498</b>
<b>Less Accumulated Depreciation:</b>					
Leasehold and Land Improvements	(24,828)	(1,723)	-	-	(26,551)
Buildings	(681,674)	(45,783)	-	162	(727,295)
Software	(99,405)	(26,178)	-	17	(125,566)
Vehicles and Equipment	(395,458)	(45,607)	-	11,284	(429,781)
Library Materials and Collections	(4,258)	(411)	-	95	(4,574)
Other Capital Assets	(22,746)	(2,357)	-	-	(25,103)
Infrastructure	(1,659,912)	(615,877)	-	333	(2,275,456)
<b>Total Accumulated Depreciation</b>	<b>(2,888,281)</b>	<b>(737,936)</b>	<b>-</b>	<b>11,891</b>	<b>(3,614,326)</b>
<b>Total Capital Assets Being Depreciated, net</b>	<b>9,704,987</b>	<b>(642,208)</b>	<b>528,355</b>	<b>(1,962)</b>	<b>9,589,172</b>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>11,467,597</b>	<b>48,260</b>	<b>-</b>	<b>(9,428)</b>	<b>11,506,429</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
<b>Capital Assets Not Being Depreciated:</b>					
Land	450,907	17,845	5,030	9,561	483,343
Land Improvements	25,905	-	-	(9,388)	16,517
Collections	19,116	1,077	-	(10)	20,183
Construction in Progress (CIP)	549,945	579,388	(629,977)	(2,740)	496,616
Infrastructure	1,048	-	1,849	-	2,897
<b>Total Capital Assets Not Being Depreciated</b>	<b>1,046,921</b>	<b>598,310</b>	<b>(623,098)</b>	<b>(2,577)</b>	<b>1,019,556</b>
<b>Capital Assets Being Depreciated:</b>					
Leasehold and Land Improvements	498,705	3,445	33,602	(1,573)	534,179
Buildings	5,994,190	48,180	549,836	(8,317)	6,583,889
Software	108,855	48,866	259	(1,568)	156,412
Vehicles and Equipment	863,355	84,692	11,031	(38,531)	920,547
Library Materials and Collections	479,309	18,100	-	(3,953)	493,456
Other Capital Assets	16,878	1,973	-	-	18,851
Infrastructure	70,524	-	28,370	-	98,894
<b>Total Capital Assets Being Depreciated</b>	<b>8,031,816</b>	<b>205,256</b>	<b>623,098</b>	<b>(53,942)</b>	<b>8,806,228</b>
<b>Less Accumulated Depreciation:</b>					
Leasehold and Land Improvements	(248,043)	(21,472)	-	596	(268,919)
Buildings	(1,983,689)	(196,837)	-	3,388	(2,177,138)
Software	(44,508)	(18,082)	-	1,018	(61,572)
Vehicles and Equipment	(619,052)	(71,213)	-	31,500	(658,765)
Library Materials and Collections	(343,480)	(21,135)	-	3,948	(360,667)
Other Capital Assets	(569)	(142)	-	-	(711)
Infrastructure	(24,992)	(2,273)	-	-	(27,265)
<b>Total Accumulated Depreciation</b>	<b>(3,264,333)</b>	<b>(331,154)</b>	<b>-</b>	<b>40,450</b>	<b>(3,555,037)</b>
<b>Total Capital Assets Being Depreciated, net</b>	<b>4,767,483</b>	<b>(125,898)</b>	<b>623,098</b>	<b>(13,492)</b>	<b>5,251,191</b>
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>5,814,404</b>	<b>472,412</b>	<b>-</b>	<b>(16,069)</b>	<b>6,270,747</b>
<b>TOTAL CAPITAL ASSETS, NET</b>	<b>\$ 17,282,001</b>	<b>\$ 520,672</b>	<b>\$ -</b>	<b>\$ (25,497)</b>	<b>\$ 17,777,176</b>

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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
<b>GOVERNMENTAL ACTIVITIES:</b>	
General Government	\$ 20,052
Business, Community, and Consumer Affairs	3,916
Education	5,592
Health and Rehabilitation	8,944
Justice	33,581
Natural Resources	2,400
Social Assistance	11,843
Transportation	635,470
Internal Service Funds (Charged to programs and BTAs based on useage)	16,139
<b>Total Depreciation Expense Governmental Activities</b>	<b>737,937</b>
<b>BUSINESS-TYPE ACTIVITIES</b>	
Higher Education Institutions	315,583
State Lottery	1,049
Other Enterprise Funds	14,522
<b>Total Depreciation Expense Business-Type Activities</b>	<b>331,154</b>
<b>Total Depreciation Expense Primary Government</b>	<b>\$ 1,069,091</b>

**Component Units**

At June 30, 2011, the University of Colorado Hospital Authority reported \$29.9 million of nondepreciable assets, including land and construction in progress. Depreciable assets included buildings and improvements of \$679.6 million and equipment of \$244.0 million. Accumulated depreciation related to these capital assets was \$367.1 million resulting in net depreciable capital assets of \$556.5 million.

In June 2009, the hospital initiated a strategic plan to implement a fully integrated electronic medical record system and to standardize its human resources and financial systems. The project plan has a revised budget of \$42.0 million and a five-year time line. Costs incurred as of June 30, 2011, for the project approximated \$32.3 million.

In January 2010, the Hospital began plans for a \$393.0 million expansion to inpatient and emergency department services, and the construction of two parking structures. To date, the total spent on the expansion is \$26.0 million with an expected occupancy date of March 2013.

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, reported land, land improvements, buildings, and other property and equipment of \$139.0 million, net of accumulated

depreciation of \$70.9 million, at December 31, 2011. The district depreciates land improvements, buildings, and other property and equipment using the straight-line method over estimated useful lives that range from 3 to 50 years.

On November 23, 2011, the Denver Metropolitan Major League Baseball Stadium District (the District) entered into an Intergovernmental Agreement with the Regional Transportation District (RTD) for the transfer of certain land from the District to RTD for construction of a light rail line connecting Union Station to Denver International Airport. In December 2011 the District received \$15.0 million of deferred revenue from RTD in the form of minimum fee compensation. The final amount of the fee compensation is in dispute. The District believes it is entitled to an additional \$3.2 million plus other costs and professional and legal fees. If a settlement is not reached within 180 days, RTD will proceed with acquiring the land under eminent domain.

The University of Colorado Foundation reported land, land improvements, buildings, and other property and equipment of \$2.5 million, net of accumulated depreciation of \$9.1 million, at June 30, 2011.

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**NOTE 18 Through 27 – DETAILS OF LIABILITY ITEMS**

**NOTE 18 – PENSION SYSTEM AND OBLIGATIONS**

**Primary Government**

**A. PLAN DESCRIPTION**

Most State of Colorado employees, excluding four-year college and university employees, participate in a defined benefit (DB) pension plan; however, all employees, with the exception of certain higher education employees, have the option of participating in a defined contribution (DC) plan instead (see Note 20). The DB plan's purpose is to provide benefits to members and their dependents at retirement or in the event of death or disability. The plan, a cost-sharing multiple-employer defined benefit plan, is administered by the Public Employees' Retirement Association (PERA). The State plan and the other divisions' plans described below are included in PERA's financial statements, which may be obtained by writing PERA at P.O. Box 5800, Denver, CO 80217-5800 or by calling the PERA Info line at 1-800-759-7372, or by visiting <http://www.copera.org>.

Administration of the Plan

In 1931, State statute established PERA and the State Division Trust Fund; subsequent statutes created the School Division Trust Fund, the Local Government Division Trust Fund, the Judicial Division Trust Fund, the Denver Public Schools Division Trust Fund, and the Health Care Trust Funds. Changes to the plan require an actuarial assessment and legislation by the General Assembly as specified in Title 24, Article 51 of the Colorado Revised Statutes.

Most members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement.

New employees, excluding four-year college and university employees, are allowed 60 days to elect to participate in PERA's defined contribution plan. If that election is not made, the employee is automatically enrolled in the plan to which they last contributed or, if there was no prior participation, to the defined benefit plan. PERA members electing the PERA defined contribution plan are allowed an irrevocable election between the second and fifth year of membership to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. However, making this election subjects the member to rules in effect for those hired on or after January 1, 2007, as discussed below. Employer contribution to the defined contribution plan is the same amount as the contribution to the PERA defined benefit plan.

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available (see Note 20C), unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional retirement plan.

Defined Retirement Benefits

Plan members (except State troopers) are eligible to receive a monthly retirement benefit when they meet age and service requirements based on their original hire date as follows:

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between January 1, 2007 and December 31, 2010 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service. For members with less than five years of service credit as of January 1, 2011 age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.
- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2017 – any age with 35 years of service, age 60 with 30 years of service, or age 65 with 5 years of service.

State troopers and Colorado Bureau of Investigation (CBI) officers are eligible for retirement benefits at the following age and years of service; any age – 30, 50 – 25, 55 – 20 and 65 – 5. For members eligible to retire as of January 1, 2011, reduced service benefits are calculated in the same manner as a service retirement benefit; however, the benefit is reduced by percentages that vary from 0.25 to 0.5, depending on age and years of service, for each month before the eligible date for the full service retirement. For members eligible to retire after January 1, 2011, an additional actuarial reduction applies.

Members with five years of service credit as of January 1, 2011, are also eligible for retirement benefits without a reduction for early retirement based on the original hire date, as follows:

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- Hired before January 1, 2007 – age 55 and age plus years of service equals 80 or more.
- Hired between January 1, 2007 and December 31, 2010 – age 55 and age plus years of service equals 85 or more. Age plus years of service requirements increase to 85 for members with less than five years of service credit as of January 1, 2011.
- Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.
- Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90.

Monthly benefits are calculated as 2.5 percent times the number of years of services times the highest average salary (HAS). For retirements before January 1, 2009, HAS was calculated as one-twelfth of the average of the highest annual salaries on which contributions were paid that are associated with three periods (one period for judges) of 12 consecutive months of service credit and limited to a 15 percent increase between periods.

For retirements after January 1, 2009, the HAS is calculated based on original hire date as follows:

- Hired before January 1, 2007 – HAS is calculated based on four periods of service credit and is limited to a 15 percent increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 15 percent increase.
- Hired on or after January 1, 2007 – HAS is calculated based on four periods of service credit and is limited to an 8 percent increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 8 percent increase.

Notwithstanding any other provisions, members first eligible for retirement after January 2, 2011 have a maximum increase between periods of 8 percent.

The benefit is limited to 100 percent (40 years) and cannot exceed the maximum amount allowed by federal law.

Prior to January 1, 2010, retiree benefits were increased annually based on their original hire date as follows:

- Hired before July 1, 2005 – 3.5 percent, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3 percent or the actual increase in the national Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI).
- Hired on or after January 1, 2007 – the lesser of 3 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent

reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)

In the 2010 legislative session, the general assembly set the current benefit increase as the lesser of 2 percent or the average of the monthly CPI amounts for calendar year preceding the year in which the benefits is paid, and moved the payment date for all increases to July.

If PERA's overall funded status is at or above 103 percent, the annual increase cap of 2 percent will increase by 0.25 percentage points per year. If PERA's overall funded status reaches 103 percent then subsequently drops below 90 percent, the adjusted annual increase cap will decrease by 0.25 percentage points per year, but will never drop below 2 percent. The funded ratio increase does not apply for three years when a negative return on investment occurs.

Money Purchase Retirement Benefit

A money purchase benefit is determined by the member's life expectancy and the value of the member's contribution account plus a matching amount as of the date of retirement. The matching amount is 100 percent of the member's contributions and accrued interest at the time of retirement. Retiring members who are age 65 and have less than five years of service credit and less than 60 payroll postings will receive a service retirement benefit under the money purchase formula only.

Service Requirement and Termination

Plan members who terminate PERA-covered employment may request a member contribution account refund or leave the account with PERA; a refund cancels a former PERA member's rights to future PERA benefits. Members who have 5 years of service and withdraw their accounts before reaching retirement eligibility and before reaching age 65 receive a refund of their contributions, interest on their contributions, plus an additional 50 percent of their contribution and interest. If the withdrawing member has reached age 65 or is retirement eligible, the matching payment increases to 100 percent. Members not having 5 years of service and not eligible for full or reduced retirement receive an employer a matching contribution of one-half of their account balance measured at January 1, 2011. Contributions after January 1, 2011, are not eligible for the additional 50 percent match until the member earns five years of service credit. Statutes authorize the PERA Board to set the interest paid to member contribution accounts but limits the rate to a maximum of 5 percent. Effective January 1, 2009, the rate was set at 3 percent and remained at the rate through June 30, 2012.

Disability and Survivor Benefits

PERA provides a two-tiered disability program for most members. Disabled members who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may apply for disability benefits through a third party insurance carrier. If the member is not totally and permanently disabled, they are provided reasonable income replacement (maximum 60 percent of PERA includable salary for 22 months). If the member is totally and permanently disabled they receive disability retirement benefits based on HAS and earned, purchased, and in some circumstances, projected service credit. There is no earned service requirement for judges, and the earned service requirement may be waived for State troopers who become disabled as the result of injuries in the line of duty.

If a member has at least one year of earned service and dies before retirement, their qualified survivors are entitled to a single payment or monthly benefits depending on their status as defined in statute. The member's spouse may be eligible to receive the higher of the money purchase benefit or the defined benefit, but not less than 25 percent of HAS. The order of payment to survivors is dependent on the years of service and retirement eligibility of the deceased member. Under various conditions, survivors include qualified children under 18 (23 if a full-time student), the member's spouse, qualified children over 23, financially dependent parents, named beneficiaries, and the member's estate. The earned service requirement is waived if a member's death is job-incurred.

**B. FUNDING POLICY**

Members and employers are required to contribute to PERA at a rate set by statute. The contribution requirements of plan members and affiliated employers are established under Title 24, Article 51, Part 4 of the Colorado Revised Statutes as amended. Members are required to contribute 10.5 percent of their gross covered wages, except for State troopers and Colorado Bureau of Investigation officers, who contribute 12.5 percent. Prior to July 1, 2010, and beginning July 1, 2012, the member and State Trooper and Colorado Bureau of Investigation officers rate was and will be 8.0 and 10.0 percent, respectively. Annual gross covered wages subject to PERA are gross earnings less any reduction in pay to offset employer contributions to the State sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code.

The following table presents the Statutorily Required Contribution (SRC) percentages and the percentage amount of the SRC paid by the State for the last three fiscal years:

Time Period	Statutorily Required Contribution (SRC) Percentage			Percent of SRC Paid
	Judges	Troopers	Other	
<u>Fiscal Year 2011-12</u>				
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
<u>Fiscal Year 2010-11</u>				
1-1-11 to 6-30-11	14.86	14.95	12.25	100
7-1-10 to 12-31-10	14.86	14.05	11.35	100
<u>Fiscal Year 2009-10</u>				
1-1-10 to 6-30-10	17.36	16.55	13.85	100
7-1-09 to 12-31-09	16.46	15.65	12.95	100

In the 2004 and 2010 legislative sessions, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional 0.5 percent of salary for calendar years 2006 and 2007, with subsequent year increases of 0.4 percent of salary through 2017, to a maximum of 5 percent (except for the Judicial Division whose AED contribution was frozen at the 2010 level).

In the 2006 and 2010 legislative sessions, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries, for calendar years 2008 through 2017, to a maximum of 5 percent (except for the Judicial Division whose SAED contribution was frozen at the 2010 level). The SAED will be deducted from the amount otherwise available to increase State employees' salaries.

At a 103 percent funding ratio, both the AED and the SAED will be reduced by one-half percentage point, and for subsequent declines to below 90 percent funded both the AED and SAED will be increased by one-half percentage point. For the Judicial Division, if the funding ratio reaches 90 percent and subsequently declines, the AED and SAED will be increased by one-half percentage point.

The preceding contribution table reflects the increase required by the AED/SAED legislation. It does not reflect a State increase of 2.5 percent at July 1, 2012 related to the restoration of the 8.0 percent member (employee) contribution.

The Fiscal Year 2011-12 contribution was allocated by PERA according to statute as follows:

- 1.02 percent was allocated to the Health Care Trust Fund throughout the fiscal year,
- From July 1, 2011, to December 31, 2011, 11.23 percent was allocated to the defined benefit plan, and
- From January 1, 2012, to June 30, 2012, 12.13 percent was allocated to the defined benefit plan.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2011, the State Division of PERA had a funded ratio of 57.7 percent and a 56-year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly lower at 57.6 percent.

The State made the following retirement contributions:

- Fiscal Year 2011-12 - \$276.3 million
- Fiscal Year 2010-11 - \$256.7 million
- Fiscal Year 2009-10 - \$291.9 million
- Fiscal Year 2008-09 - \$277.2 million
- Fiscal Year 2007-08 - \$239.9 million
- Fiscal Year 2006-07 - \$236.8 million (*previously restated*)
- Fiscal Year 2005-06 - \$189.2 million
- Fiscal Year 2004-05 - \$189.4 million
- Fiscal Year 2003-04 - \$167.7 million
- Fiscal Year 2002-03 - \$155.7 million

These amounts do not include the Health Care Trust Fund contribution. For each year, the retirement contribution was equal to the statutory requirement.

PERA's actuary calculates the amount of Annual Required Contribution (ARC) for the State Division, assuming a 30-year amortization period and Generally Accepted Accounting Principle parameters. The State of Colorado represents most, but not all, of the State Division.

The following table shows the three most recent calculations for the State Division ARC:

Calendar Year	\$ Amount of ARC (Thousands)	ARC Percent of Payroll	Percent of ARC Contributed
2011	\$326,274	13.63%	85%
2010	\$452,821	18.93%	62%
2009	\$426,999	17.91%	69%

The amount of ARC for calendar years 2010 and 2011 reflects a reduction of 2.5 percent for the State PERA

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contribution swap with employees from July 1, 2010 to December 31, 2011, while the decrease in the ARC and the increase in the percent of ARC contributed in 2011 resulted from plan changes in the 2010 legislative session.

Historically members have been allowed to purchase service credit at reduced rates. However, legislation passed in the 2006 session required that future agreements to purchase service credit be sufficient to fund the related actuarial liability.

**C. OTHER PENSION CONTRIBUTIONS**

The Fire and Police Pension Association (FPPA), a related organization, was established to ensure the financial viability of local government pension plans for police and firefighters. In Fiscal Years 2011-12 and 2010-11, the Department of Local Affairs transferred \$4.4 and \$4.3 million, respectively, to the association for the premiums of the accidental death and disability insurance policy the association provides to volunteer firefighters. The State Treasurer is required to make supplemental contributions; however, from Fiscal Year 2008-09 to Fiscal Year 2010-11 to address State budget shortfalls, the General Assembly authorized the State Treasurer to suspend transfers related to the actuarial soundness of the pension plan. In Fiscal Year 2011-12, the State Treasurer distributed \$5.3 million in supplemental contributions.

**Component Units**

The University of Colorado Hospital Authority participates in two pension plans, which cover substantially all of its employees. One plan is the Public Employees Retirement Association defined benefit plan for State employees. The hospital made contributions of \$86,000 to this plan in Fiscal Year 2010-11. The other plan is a single employer noncontributory defined benefit plan for which the authority establishes the benefit and contribution rates. The hospital made contributions of \$20.1 million in Fiscal Year 2010-11 to this plan. The amount of the actuarially computed net periodic pension cost was \$20.4 million. In Fiscal Year 2008-09, the hospital elected to contribute additional moneys to the plan resulting in a net pension asset of \$6.8 million as of June 30, 2011, which will be used to offset funding requirements in future periods. The net pension asset is reported on the *Statement of Net Assets – Component Units*. At July 1, 2010, the latest actuarial valuation date, the plan's unaudited funded ratio was 100 percent; the funded ratio has been at 100 percent since at least July 1, 2008. The Authority also provides three other retirement plans, as discussed in Note 20.

Employees of the Colorado Water Resources and Power Development Authority and CoverColorado are covered under the State Division of PERA discussed above.

**NOTE 19 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE**

Actuarial valuations of an ongoing OPEB plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the 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, 2011, the Health Care Trust

Fund had an unfunded actuarial accrued liability of \$1.43 billion, a funded ratio of 16.5 percent, and a 49-year amortization period.

Beginning July 1, 2004, the State contribution to the Health Care Trust Fund was 1.02 percent of gross covered wages. The State paid contributions of \$24.1 million, \$24.3 million, \$24.0 million, \$24.6 million, \$23.1 million, and \$24.4 million in Fiscal Years 2011-12, 2010-11, 2009-10, 2008-09, and 2007-08, respectively. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. The Health Care Trust Fund offers two general types of plans – fully insured plans administered through healthcare organizations and self-insured plans administered for PERA by third party vendors. In addition, two of PERA's insurance carriers offered high deductible health care plans in 2011. As of December 31, 2011, there were 50,217 participants, including spouses and dependents, from all contributors to the plan.

The Health Care Trust Fund began providing dental and vision plans to its participants in 2001. The participants pay the premiums for the coverage, and there is no subsidy provided for the dental and vision plans.

In the December 31, 2011, actuarial valuation, the entry age level dollar actuarial cost method was used. The actuarial assumptions included an eight percent investment rate of return and discount rate, and a four and one-half percent projection of salary increases, both assuming a three and three-quarter percent inflation rate and productivity at three-quarter percent. Medical claims are projected to increase annually at various rates up to 7.73 percent based on different subsidy and premium options. The UAAL is being amortized as a level dollar amount on a level percent open basis over 30 years. Except for the discount rate these assumptions primarily affect plan assets available rather than the actuarial accrued liability because the benefit is a fixed subsidy amount.

University of Colorado – Other Postemployment Benefits Plan

The University Post-Retirement Health Care & Life Insurance Benefits Plan is a single-employer defined benefit healthcare plan administered by the University of Colorado. The University's plan provides medical, dental and life insurance benefits for employees who retire from the University, as well as their spouses and dependents. The University's Board of Regents has the authority to establish and amend benefits provisions.

The contribution requirements of plan members and the University are established by the University's Board of Regents. The University's contribution is based on pay-as-you-go financing requirements. For Fiscal Year 2011-12, the University contributed \$13.0 million to the plan. Plan members contributed 0.3 percent of covered payroll (defined as the annual payroll of active employees covered

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by the plan) and the University contributed 1.1 percent of covered payroll.

The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation for the University Post-retirement Health Care & Life Insurance Benefits Plan:

(Amounts In Thousands)	
Annual required contribution	\$ 40,717
Interest on net OPEB obligation	4,750
Adjustment to annual required contribution	(6,481)
Annual OPEB cost (expense)	<u>38,986</u>
Contributions made	(13,041)
Increase/(Decrease) in net OPEB obligation	<u>25,945</u>
Net OPEB obligation - beginning of year	105,563
Net OPEB obligation - end of year	<u>\$ 131,508</u>

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal Year 2011-12 were as follows:

(Amounts In Thousands)			
Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-12	\$ 38,986	33.5%	\$131,508

As of July 1, 2010, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was \$343.1 million and the actuarial value of assets was \$0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$343.1 million. The UAAL of the plan exceeds the Net OPEB Obligation (NOPEBO) due to the portion of the UAAL not required to be recognized as NOPEBO at the implementation of GASB Statement No. 45. The covered payroll was \$855.0 million, and the ratio of UAAL to covered payroll was 33.5 percent. The current valuation was calculated on the basis of the unit credit actuarial cost method. The actuarial assumptions included a four and one-half percent investment rate of return and various rates ranging from five to nine percent for annual increase in medical claims. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

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Colorado State University – Other Postemployment Benefits Plans

Colorado State University administers four single employer defined benefit healthcare plans. The Retiree Medical Premium Refund Plan (RMPR) provides a monthly subsidy for medical premiums of up to \$200 per month for employees who retire from the university and are participants in its defined contribution plan. The Retiree Medical Premium Subsidy for PERA Participants Plan (RMPS) provides a monthly subsidy for medical premiums of up to \$317 (reduced by the amount of premium subsidy provided by PERA) for employees who are PERA participants and retire from the University. The Umbrella RX Plan (URX) supplements prescription benefits provided through PERA for employees with ten or more years of PERA service. The Long-Term Disability Insurance Plan (LTD) provides a monthly income replacement benefit for employees still on disability after the 91<sup>st</sup> consecutive calendar day of total disability. LTD covers a percentage of the monthly salary up to established caps and continues until recovery, death, or until attained age between 65 and 70 years depending on when the employee became disabled. The University's Board of Governors has the authority to establish and amend benefits provisions for all plans.

Colorado State University issues a publicly available financial report that includes financial statements and required supplementary information for all of the plans. That report may be obtained by writing to 555 S. Howes St., Fort Collins, CO 80523, or by going to: <http://busfin.colostate.edu/finstmt.aspx>.

The contribution requirements of all plan members and the university are established by the university's Board of Governors. The required contribution for the RMPR, URX and LTD plans is set by the university in consultation with outside benefit consultants, underwriters, and actuaries. The subsidy amount under the RMPS is determined on a pay-as-you-go basis. For Fiscal Year 2011-12, the university contributed \$576,084 to the RMPR, \$1,258,130 to the RMPS, \$111,165 to the URX and \$1,137,211 to the LTD. Plan members are not required to contribute to any of the four plans.

The university's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following tables show the components of the university's annual OPEB cost for the year, the amount actually contributed to the plans, and changes in the university's net OPEB obligations for all four plans:

(Amounts In Thousands)		
	RMPR	RMPS
Annual required contribution	\$ 2,418	\$ 4,191
Interest on net OPEB obligation	288	441
Adjustment to annual required contribution	(240)	(663)
Annual OPEB cost (expense)	<u>2,466</u>	<u>3,969</u>
Contributions made	(576)	(1,258)
Increase/(Decrease) in net OPEB obligation	<u>1,890</u>	<u>2,711</u>
Net OPEB obligation - beginning of year	7,207	11,016
Net OPEB obligation - end of year	<u>\$ 9,097</u>	<u>\$ 13,727</u>

(Amounts In Thousands)		
	URX	LTD
Annual required contribution	\$ 188	\$ 1,130
Interest on net OPEB obligation	14	25
Adjustment to annual required contribution	(21)	(21)
Annual OPEB cost (expense)	<u>181</u>	<u>1,134</u>
Contributions made	(111)	(1,137)
Increase/(Decrease) in net OPEB obligation	<u>70</u>	<u>(3)</u>
Net OPEB obligation - beginning of year	341	634
Net OPEB obligation - end of year	<u>\$ 411</u>	<u>\$ 631</u>

The university's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation of the four plans for Fiscal Year 2011-12 were as follows:

(Amounts In Thousands)				
Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	
RMPR 2011-12	\$ 2,466	23.4%	\$ 9,097	
RMPS 2011-12	\$ 3,969	31.7%	\$ 13,727	
URX 2011-12	\$ 181	61.5%	\$ 411	
LTD 2011-12	\$ 1,134	100.2%	\$ 631	

As of the most recent actuarial valuation date of January 1, 2011, all four plans were 0 percent funded and had no plan assets. The actuarial accrued liability for benefits for the RMPR, RMPS, URX and LTD was \$28.9 million, \$54.7 million, \$2.8 million, and \$13.1 million respectively, resulting in unfunded actuarial accrued liabilities of \$28.9 million, \$54.7 million, \$2.8 million and \$13.1 million, respectively. The UAAL of the plan exceeds the Net OPEB Obligation (NOPEBO) due to the portion of the UAAL not required to be recognized as NOPEBO at the implementation of GASB Statement No. 45. The covered payroll (annual payroll of active employees covered by the plan) of the RMPR was \$246.6 million, and the ratio of unfunded actuarial accrued liability (UAAL) to covered payroll was 11.7 percent. Neither the RMPS, the URX, nor the LTD plan contribution is based on salaries or covered payroll.

The RMPR and LTD plans used the entry age normal actuarial cost method, while the RMPS and URX plans used the unit credit method. All four plans used a four percent investment rate of return and a three percent inflation

adjustment. The RMPR plan also used a four percent salary increase assumption, while the RMPS, URX, and LTD plans did not incorporate that assumption into their analysis because benefits are not based on salary.

The RMPR and RMPS plans assumed an annual healthcare cost trend initial rate of eight percent declining to an ultimate rate of five percent. The LTD does not use a healthcare trend rate because it provides income replacement not healthcare. The RMPR and LTD plans used a level percentage of projected payroll to amortize the UAAL and the RMPS and URX plans used a level dollar amount. All four plans originally amortized the UAAL over 30 years; the amortization period for the RMPR is a thirty-year open period, while twenty-six years remain on the closed period for the RMPS and URX and 30 years remains for the LTD open period.

Other Programs

The State provides employees with a limited amount of Basic Life and Accidental Death and Dismemberment coverage underwritten by Minnesota Life at no cost to the employee. Through the same company, the State also provides access to group Optional Life and Accidental Death and Dismemberment coverage with premiums paid by the employee.

Component Units

Employees of the Colorado Water Resources and Power Development Authority, and CoverColorado are covered under the PERA Health Care Trust Fund discussed above.

**NOTE 20 – OTHER EMPLOYEE BENEFITS**

**Primary Government**

**A. MEDICAL AND DISABILITY BENEFITS**

The Group Benefit Plans Fund is a Pension and Other Employee Benefits Trust Fund established for the purpose of risk financing employee and state-official medical claims. The fund includes several medical plan options ranging from provider of choice to managed care. Before January 1, 2000, the State offered a variety of medical plans; some of the plans were fully insured while others were self-funded using Anthem Blue Cross Blue Shield as the plan administrator. Between January 1, 2000, and June 30, 2005, self-funded plans were no longer offered, and the State and its employees paid premiums for insurance purchased to cover medical claims. After June 30, 2005, the State returned to a self-funded approach for certain employee and state-official medical claims. The State's contribution to the premium is subject to appropriation by the legislature each year, and State employees pay the difference between the State's contribution and the premium required to meet actuarial estimates. Since the amount of the State

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contribution is at the discretion of the legislature, employees ultimately bear the risk of funding the benefit plans.

The premiums, which are based on actuarial analysis, are intended to cover claims, reserves, third party administrator fees, stop-loss premiums and other external administration costs (such as COBRA and case management). Premiums also include a fee to offset the internal costs of administering the plan. Internal costs include developing plan offerings, maintaining the online benefits system, and communicating benefit provisions to employees. Employee healthcare premiums are allowed on a pretax basis under the State's flexible spending account benefits plan.

Effective July 1, 2005, the State terminated the Anthem Blue Cross Blue Shield plans and began offering five self-funded plan options administered by Great West Healthcare, in addition to the fully insured Kaiser HMO plan and the San Luis Valley HMO plan, as well as, three self-funded dental options administered by Delta Dental Plan of Colorado. On July 1, 2006 the State discontinued one of the self-funded medical plan options due to low enrollment. Effective July 1, 2010, the State began offering two statewide, self-funded PPO options administered by United Healthcare and two regional, fully-insured HMO options administered by Kaiser Permanente. Two of these medical options were HSA-qualified high-deductible health plans (HDHPs). Two statewide, dental PPO options administered by Delta Dental were also offered.

Before January 1, 1999, the Group Benefit Plans Fund provided an employer paid short-term disability plan for all employees. On January 1, 1999, the Public Employees Retirement Association (PERA) began covering short-term disability claims for State employees eligible under its retirement plan (see Note 18A). The Group Benefit Plans Fund continues to provide short-term disability coverage for employees not yet qualified for the retirement plan and secondary benefits for employees also covered under the PERA short-term disability plan.

The Group Benefit Plans short-term disability program provides an employee with 60 percent of their pay beginning after 30 days of disability or exhausting their sick leave balance, whichever is later. This benefit expires six months after the beginning of the disability. Although fully insured, the Group Benefit Plans disability program includes a risk-sharing feature that provides experience rating refunds calculated as earned premiums less the aggregate of incurred claims, claim reserve, retention charge, and refunds paid previously over the term of the contract. Refunds, when applicable, are paid annually.

**B. EMPLOYEE DEFERRED COMPENSATION PLAN**

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State Deferred Compensation Plan which was established for State and local government employees in 1981. At July 1, 2009, the State's administrative functions were transferred to PERA in a fiduciary to fiduciary transfer; all costs of administration and funding are borne by the plan participants. The 457 plan allows for voluntary participation to provide additional benefits at retirement, and all employees may contribute to the 457 plan. At conversion, State employees were the primary participants in the 457 plan. In calendar year 2011, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution which temporarily increased to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of \$16,500. Participants who are age 50 and older, and contributing the maximum amount allowable, could make an additional \$5,500 in 2011, for total contributions of \$22,000. Contributions and earnings are tax deferred. At December 31, 2011, the plan had 17,821 participants.

**C. OTHER RETIREMENT PLANS**

PERA 401k Plan

The Public Employees' Retirement Association (PERA) offers a voluntary 401(k) plan entirely separate from the 457 plan, the defined contribution plan, and the defined benefit plan. In calendar years 2010 and 2011, PERA members are allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution, which was temporarily increased to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of \$16,500. Participants who are age 50 and older, and contributing the maximum amount allowable, could make an additional \$5,500 in 2011, for total contributions of \$22,000. Contributions and earnings are tax deferred. On December 31, 2011, the plan had net assets of \$1,891.3 million and 71,620 accounts.

PERA Defined Contribution Retirement Plan

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. On July 1, 2009, administration of the State's defined contribution plan was transferred to PERA and participants of the State's plan became participants of the PERA defined contribution plan. Existing State plan members at the time of the transfer became participants in the PERA defined contribution plan and retained their vesting schedule for employer contributions, while employer contributions for new members will vest from 50 percent to 100 percent evenly over 5 years. Participants in

the plan are required to contribute 8 percent (10 percent for State troopers) of their salary. For Fiscal Years 2010-11 and 2011-12 the legislature temporarily increased the required contribution rate to 10.5 percent (12.5 percent for State Troopers). At December 31, 2011, the plan had 4,029 participants.

The financial statements for the PERA Deferred Compensation Plan, the PERA 401k Plan, and the PERA Defined Contribution Plan can be found within PERA's financial statements as referenced at the beginning of Note 18.

Higher Education Optional Retirement Plans

Legislation in 1992 authorized State institutions of higher education the option of offering other retirement plans to their employees. At that time, certain employees had the choice of retaining their membership in PERA. As a result of the legislation, some employees of various institutions may be covered under defined contribution plans such as the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF), the Variable Annuity Life Insurance Corporation (VALIC), or other similar plans. Generally these plans are available to faculty or other staff members who are not part of the State's classified employee system. Faculty members at the University of Colorado are also covered under Social Security.

Other State Retirement Plans

The State made contributions to other retirement plans of \$106.2 million and \$100.4 million during Fiscal Years 2011-12 and 2010-11, respectively. In addition, the State paid \$83.4 million and \$80.9 million in FICA and Medicare taxes on employee wages during Fiscal Years 2011-12 and 2010-11, respectively.

**Component Units**

Employees of the Colorado Water Resources and Power Development Authority may voluntarily contribute to the PERA 401k Defined Contribution Pension Plan discussed above.

The University of Colorado Hospital Authority provides a single employer defined contribution plan (401a) and a single employer tax-deferred annuity plan (403b) that required the hospital to make matching contributions of \$6.6 million in Fiscal Year 2010-11. The hospital also provides a single employer tax deferred plan (457b) that did not require hospital contributions. All three plans are administered by third-party investment companies. The financial statements of these pension plans are available from the hospital.

**D. TERMINATION BENEFITS**

The University of Colorado provides an early retirement incentive program to tenured professors who are at least

55 years of age, whose age and years of service combined equal at least 70, and who participate in the University's optional retirement plan. The time period for the arrangement is from calendar year 2010 to 2016. The incentive is equal to twice the base salary and supplemental pay and requires the immediate relinquishment of tenure status. In Fiscal Year 2011-12 48 faculty members participated in the program at a present value accrued cost of \$8.0 million, with an assumed discount rate of 5 percent.

**NOTE 21 – RISK MANAGEMENT**

**Primary Government**

The State currently self-insures its agencies, officials, and employees for certain risks of loss to which they are exposed. These include general liability, motor vehicle liability, and workers' compensation. The Risk Management Fund is reported as a Special Purpose General Fund, and it is used to account for claims adjustment, investigation, defense, and authorization for the settlement and payment of claims or judgments against the State. Property claims are not self-insured; the State has purchased \$50.0 million of excess insurance (\$10.0 million deductible), \$450.0 million of property loss insurance (\$500,000 deductible). Flood insurance is also purchased for properties in flood zones designated by FEMA that may carry a higher deductible. The State has also purchased excess liability coverage for automotive liability outside Colorado for \$5.0 million per occurrence (\$2.0 million deductible), and \$10.0 million of employee dishonesty loss coverage (\$250,000 deductible). Settlements have not exceeded insurance coverage in any of the three prior years.

All funds and agencies of the State, except for the University of Colorado, Colorado State University (not including CSU-Pueblo), the University of Northern Colorado, Fort Lewis College, Colorado Mesa University, Western State College, Adams State College and component units participate in the State Risk Management Fund. State agency premiums are based on an assessment of risk exposure and historical claims experience.

Claims are reported in the General Fund in accordance with GASB Interpretation No. 6, and therefore, related liabilities are only reported to the extent that they are due and payable at June 30. On the government-wide statements, risk management liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Those liabilities include an amount for claims that have been incurred but not reported and an adjustment for nonincremental claims expense that is based on current administrative costs as a percentage of current claims and projected to the total actuarial claims estimate.

Because actual claims liabilities depend on complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does

not necessarily result in an exact amount. Claims liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. A contractor completes an actuarial study each year determining both the current and long-term liabilities of the Risk Management Fund.

Colorado employers, including the State, are liable for occupational injuries and diseases of their employees. Benefits are prescribed by the Workers' Compensation Act of Colorado for medical expenses and loss of wages resulting from job-related disabilities. The State uses the services of a third party administrator, Broadspire Services, to administer its plan. The State reimburses Broadspire the current cost of claims paid and related administrative expenses.

From January 1, 2000 through June 30, 2005, the State and its employees purchased insurance for medical claims. Beginning July 1, 2005, the State returned to the self-funding approach (used prior to January 1, 2000) for medical claims except for stop-loss insurance purchased for claims over \$200,000 per individual. In Fiscal Year 2011-12, the State recovered approximately \$7.2 million related to the stop-loss insurance claims. The State's contribution to medical premiums is subject to appropriation by the legislature each year, and State employees pay the difference between the State's contribution and the premium required to meet actuarial estimates. Since the amount of the State contribution is at the discretion of the legislature, employees ultimately bear the risk of funding the benefit plans. The claims and related liabilities are reported in the Group Benefit Plans, a Pension and Other Employee Benefits Trust Fund.

The State recorded \$14.7 million of insurance recoveries during Fiscal Year 2011-12. Of that amount approximately \$5.1 million was related to asset impairments that occurred in prior years primarily at the Departments of Transportation, in the Highway Users Tax Fund. The remaining \$9.6 million relates to the current year and was primarily recorded by Group Benefits Plans (including the \$7.2 million, as noted above), a Pension and Other Employee Benefits Fund, and by Higher Education (\$1.3 million) in the Higher Education Institutions Fund.

For claims related to events occurring before October 1, 1996, the Regents of the University of Colorado participate in the University of Colorado Insurance Pool (UCIP) – a public-entity self-insurance pool. After that date, the university became self-insured for workers' compensation, auto, and general and property liability. As of March 31, 2009, the Colorado Division of Insurance approved the dissolution of UCIP, and all remaining claim liabilities were transferred to the university's self-insurance program. An actuary projects the self-insured plan's undiscounted liabilities. The university purchases excess insurance for losses over its self-insured retention of \$500,000 per property claim, \$1.0 million per worker's compensation claim, and \$1.0

million per general liability claim. There were no significant reductions in insurance coverage in Fiscal Year 2011-12 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

University of Colorado tort claims are subject to the governmental immunity act, and damages are capped for specified waived areas at \$150,000 per person and \$600,000 per occurrence. There were no reductions of insurance coverage in Fiscal Year 2011-12, and settlements did not exceed insurance coverage in any of the three prior fiscal years.

The University of Colorado Graduate Medical Education Health Benefits Program is a comprehensive self-insurance health and dental benefits program for physicians in training at the University of Colorado Anschutz Medical Campus. The university manages excess risk exposure for staff medical claims by purchasing stop-loss insurance of \$225,000 per person and \$9.0 million in aggregate annually. There were no reductions of insurance coverage in Fiscal Year 2011-12 for this program. There have been no claims against the aggregate stop-loss insurance in the previous three years; however, the university collected \$268,513 from the stop-loss insurance carrier for individual claims in excess of the threshold from Fiscal Years 2010 through 2012. An insurance brokerage firm estimates liabilities of the plan using actuarial methods.

The University of Colorado Denver also self-insures its faculty and staff for medical malpractice through the University of Colorado Self-Insurance Trust, consistent with the limits of governmental immunity. For claims outside of governmental immunity, the Trust has purchased insurance to cover claims greater than \$1.0 million per occurrence and in the aggregate annually. The discounted liability for malpractice is determined annually by an actuarial study. There was no significant reduction in insurance coverage in Fiscal Year 2011-12, and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Colorado State University is self-insured for employee medical and dental plans, but purchases re-insurance for healthcare claims over \$200,000. The related liability is based on underwriting review of claims history and current data. The university is self-insured for worker's compensation up to \$500,000, and has purchased re-insurance for individual claims up to statutory limits. There were no significant reductions in insurance coverage in Fiscal Year 2011-12 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

The Colorado State University general liability claims arising out of employment practices are self-insured up to \$500,000 with excess insurance purchased for claims up to \$5.0 million and additional insurance purchased for claims up to \$10.0 million per occurrence. The university is self-insured for property damage up to \$100,000, but has purchased excess insurance providing coverage up to \$1.0 billion per occurrence. There were no significant reductions in insurance coverage in Fiscal Year 2011-12,

and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

The University of Northern Colorado manages general liability, professional liability, property, auto, and worker's compensation risks primarily through the purchase of insurance. The university retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2005-06. The university has purchased \$3.0 million of general liability insurance (\$0 deductible), \$3.0 million of professional liability insurance (\$25,000 deductible), \$1.0 million of automobile liability (\$0 deductible), \$3.0 million of errors and omissions insurance (\$25,000 deductible), \$3.0 million of employment practices liability (\$25,000 deductible), \$500,000 of worker's compensation insurance (\$1,000 deductible), \$1.0 million of employee fraud insurance (\$1,000 deductible), \$500.0 million of property insurance (\$25,000 deductible), and \$2.0 million umbrella liability (10,000 self-insured retention). There were no significant reductions in insurance coverage in Fiscal Year 2011-12, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

Fort Lewis College manages worker's compensation risks primarily through the purchase of insurance. The College has purchased worker's compensation insurance (\$5,000 deductible). Before Fiscal Year 2010-11, the College was covered under the State's risk management program. The college retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2009-10. There were no significant reductions in insurance coverage in Fiscal Year 2011-12, and the amount of settlements has not exceeded insurance coverage in Fiscal Years 2010-11 or 2011-12.

Fort Lewis College manages general liability risks primarily through the purchase of insurance. The College has purchased blanket building and personal property insurance of \$400.0 million (\$10,000 deductible), \$2.0 million of general liability (\$5,000 deductible), \$5.0 million of fine arts insurance (\$2,500 deductible, with a \$25,000 deductible for flood and earthquake). The College has also purchased \$1 million of employee dishonesty insurance (\$10,000 deductible). Before Fiscal Year 2011-12, the College was covered under the State's risk management program. The College retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2010-11. There were no significant reductions in insurance coverage in Fiscal Year 2011-12, and the amount of settlements has not exceeded insurance coverage in the current fiscal year.

Colorado Mesa University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased worker's compensation insurance (\$1,000 deductible). Before Fiscal Year 2010-11, the University was covered under the State's risk management program. The university retains a small amount of self insurance risk from taking over claims previously covered

by State risk management from Fiscal Year 2009-10. There were no significant reductions in insurance coverage in Fiscal Year 2011-12, and the amount of settlements has not exceeded insurance coverage in Fiscal Years 2010-11 or 2011-12.

Colorado Mesa University manages general liability risks primarily through the purchase of insurance. The University has purchased general liability insurance (\$25,000 deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2010-11. There were no significant reductions in insurance coverage in Fiscal Year 2011-12, and the amount of settlements has not exceeded insurance coverage in the current fiscal year.

Western State College manages worker's compensation risks primarily through the purchase of insurance. The College has purchased worker's compensation insurance (\$500 deductible). Before Fiscal Year 2011-12, the College was covered under the State's risk management program. The College retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2011-12. There were no significant reductions in insurance coverage in Fiscal Year 2011-12, and the amount of settlements has not exceeded insurance coverage in the current fiscal year.

Adams State College manages worker's compensation risks primarily through the purchase of insurance. The College has purchased worker's compensation insurance of \$500,000 per occurrence (\$500 deductible). Before Fiscal Year 2011-12, the College was covered under the State's risk management program. The College retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2011-12, and the amount of settlements has not exceeded insurance coverage in the current fiscal year.

Adams State College manages general liability risks primarily through the purchase of insurance. The College has purchased general liability for auto, fidelity, liability and fire insurance of \$2.0 million per occurrence (no deductible). Before Fiscal Year 2011-12, the College was covered under the State's risk management program. The College retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2011-12. There were no significant reductions in insurance coverage in Fiscal Year 2011-12, and the amount of settlements has not exceeded insurance coverage in the current fiscal year.

Changes in claims liabilities were as follows:

Fiscal Year	Changes in Claims Liabilities (Amounts in Thousands)			
	Liability at July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability at June 30
<b>State Risk Management:</b>				
Liability Fund				
2011-12	24,733	9,981	4,831	29,883
2010-11	22,938	6,885	5,090	24,733
2009-10	17,703	9,941	4,706	22,938
Workers' Compensation				
2011-12	110,322	32,853	33,566	109,609
2010-11	100,787	44,977	35,442	110,322
2009-10	84,147	53,278	36,638	100,787
Group Benefit Plans:				
2011-12	13,904	146,285	146,494	13,695
2010-11	17,873	133,109	137,078	13,904
2009-10	16,621	143,098	141,846	17,873
University of Colorado:				
General Liability, Property, and Workers' Compensation				
2011-12	9,977	4,722	4,684	10,015
2010-11	11,561	4,659	6,243	9,977
2009-10	11,663	5,905	6,007	11,561
University of Colorado Denver:				
Medical Malpractice				
2011-12	5,126	2,472	1,943	5,655
2010-11	4,589	1,864	1,327	5,126
2009-10	5,065	273	749	4,589
Graduate Medical Education Health Benefits Program				
2011-12	1,291	7,121	7,004	1,408
2010-11	1,321	6,319	6,349	1,291
2009-10	1,603	6,280	6,562	1,321
Colorado State University:				
Medical, Dental, and Disability Benefits				
2011-12	27,013	37,372	32,223	32,162
2010-11	21,766	34,865	29,618	27,013
2009-10	18,537	32,285	29,056	21,766
University of Northern Colorado:				
General Liability, Property, and Workers' Compensation				
2011-12	21	108	72	57
2010-11	25	92	96	21
2009-10	24	92	91	25
Fort Lewis College:				
Worker's Compensation				
2011-12	315	133	147	301
2010-11	288	124	97	315
General Liability				
2011-12	307	-	140	167
Adams State College				
Workers' Compensation				
2011-12	35	-	35	-
General Liability				
2011-12	158	-	147	11
Colorado Mesa University:				
Workers' Compensation				
2011-12	140	(6)	67	67
2010-11	282	303	445	140
General Liability				
2011-12	21	130	33	118
Western State Colorado University:				
Workers' Compensation				
2011-12	185	122	99	208

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**Component Units**

In order to manage malpractice claims risk, the University of Colorado Hospital Authority participates in a self-insurance trust – the University of Colorado Self-Insurance and Risk Management Trust. The trust provides coverage up to the governmental immunity limits (\$150,000 per individual and \$600,000 per occurrence for claims arising within the State). The trust also provides coverage of \$1.0 million for claims arising outside the State and contracts with a commercial insurance company for coverage to \$6.0 million per occurrence or in aggregate per year when governmental immunity does not apply. For Fiscal Year 2010-11, the hospital recorded premium and administrative expenses of \$505,000. The trust had a fund balance of \$1.1 million, which was net of approximately \$5.1 million in reserves for losses and loss adjustment expense. The hospital purchases insurance coverage for theft, property damage, injuries and accidents, business interruption, automobile, nonowned aircraft, errors and omissions, fiduciary responsibility, and employee health and dental through commercial insurance companies.

The Colorado Water Resources and Power Development Authority maintains commercial insurance for most risks of loss, and is self-insured for any director or officer legal liability.

**NOTE 22 – LEASE COMMITMENTS**

**Primary Government**

State management is authorized to enter lease or rental agreements for buildings and/or equipment. All leases contain clauses stipulating that continuation of the lease is subject to funding by the Legislature. Historically, these leases have been renewed in the normal course of business. They are therefore treated as noncancellable for financial reporting purposes.

At June 30, 2012, the State had the following gross amounts of assets under capital lease:

Gross Assets Under Lease (Before Depreciation)	(Amounts in Thousands)		
	Land	Buildings	Equipment and Other
Governmental Activities	\$ 735	\$ 72,964	\$ 144,254
Business-Type Activities	-	34,533	30,784
Total	\$ 735	\$ 107,497	\$ 175,038

At June 30, 2012, the State expected the following sublease rentals related to its capital and operating leases:

	(Amounts in Thousands)		
	Sublease Rentals		Total
	Capital	Operating	
Governmental Activities	\$ 225	\$ 511	\$ 736
Business-Type Activities	-	177	177
Total	\$ 225	\$ 688	\$ 913

During the year ended June 30, 2012, the State incurred the following contingent rentals related to capital and operating leases:

	(Amounts in Thousands)		
	Contingent Rentals		Total
	Capital	Operating	
Business-Type Activities	\$ -	\$ 15	\$ 15
Total	\$ -	\$ 15	\$ 15

Colorado State University Research Foundation, a related party, is a not-for-profit Colorado corporation, established to aid and assist the three institutions governed by the Colorado State University System Board of Governors in their research and educational efforts. The support provided by the foundation to the institutions includes patent and licensing management, equipment leasing, municipal lease administration, debt financing, and land acquisition, development, and management. Colorado State University subleases space, vehicles, and equipment from the foundation. At June 30, 2012, the total obligation for the space was \$2.8 million, with an average annual lease payment of \$121,009, and the total obligation for the vehicles and equipment was \$4.7 million, with total annual lease payments of \$1.8 million.

Colorado Mesa University has a lease-purchase agreement with the Colorado Mesa University Foundation for the acquisition of property. The remaining term of the lease is 7 years and it requires payment of interest at 3 percent; the University made a \$1.3 million payment to the Foundation under this agreement in Fiscal Year 2011-12.

The Community College of Aurora made operating lease payments of approximately \$1.0 million to the Community College of Aurora Foundation, which is the landlord for the college's main campus.

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The State is obligated under certain leases that it accounts for as operating leases. Operating leases do not give rise to property rights or lease obligations. Therefore, the lease agreements are not reflected in the assets or liabilities of the funds.

For Fiscal Year 2011-12, the State recorded building and land rent of \$50.7 million and \$22.6 million in governmental and business-type activities, respectively. The State also recorded equipment and vehicle rental expenditures of \$9.7 million and \$28.8 million in governmental and business-type activities, respectively. The above amounts were payable to entities external to State government and do not include transactions with the State fleet management program.

The State recorded \$3.3 million of lease interest costs in the governmental activities and \$2.0 million in the business-type activities.

The State entered into approximately \$8.4 million of capital leases related to the State's fleet management, which is reported in an internal service fund that does not report capital lease proceeds.

Future minimum payments at June 30, 2012, for existing leases were as follows:

(Amounts in Thousands)

Fiscal Year(s)	Operating Leases		Capital Leases	
	Governmental	Business-Type	Governmental	Business-Type
	Activities	Activities	Activities	Activities
2013	\$ 47,067	\$ 18,050	\$ 19,554	\$ 7,490
2014	39,817	15,349	18,395	6,320
2015	32,944	13,327	16,853	4,997
2016	24,271	11,692	13,917	4,726
2017	16,288	6,396	11,414	4,119
2018 to 2022	34,318	16,545	43,590	12,178
2023 to 2027	104	6,304	22,199	7,893
2028 to 2032	111	1,630	7,650	1,456
2033 to 2037	119	850	870	-
2038 to 2042	128	646	-	-
2043 to 2047	122	646	-	-
2048 to 2052	61	65	-	-
Total Minimum Lease Payments	195,350	91,500	154,442	49,179
Less: Imputed Interest Costs			33,013	10,141
Present Value of Minimum Lease Payments	\$ 195,350	\$ 91,500	\$ 121,429	\$ 39,038

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**Component Units**

The University of Colorado Hospital Authority leases certain equipment under noncancellable operating leases. Rental expense for operating leases approximated \$5.1 million for Fiscal Year 2010-11. Future minimum lease payments for these leases at June 30, 2011, are:

(Amounts in Thousands)

Fiscal Year	Amount
2012	\$ 4,985
2013	3,389
2014	2,841
2015	2,598
2016	1,968
2017-2020	2,862
Total Minimum Obligations	<u>\$ 18,643</u>

The Colorado Water Resources and Power Development Authority leases office facilities under an operating lease that expires December 31, 2012. Total rental expense for the year ended December 31, 2011 was \$136,556. The total minimum rental commitment as of December 31, 2011 is \$109,605.

Effective October 1, 1999, the University of Colorado Foundation entered into an agreement to lease the building in which it operates. The foundation recorded a lease liability equal to the present value of the future minimum lease payments under the lease, which was \$2.7 million at June 30, 2011. Total minimum lease payments including interest at June 30, 2011, were \$3.3 million. The lessor of the building has promised to make a nonreciprocal transfer of the building or its cash equivalent to the foundation on or before September 2014.

The University of Colorado Foundation leases office space and equipment under operating leases expiring on various dates through 2016. The total rental expense for the year ended June 30, 2011 was \$156,071. The total minimum rental commitment under the leases was \$0.5 million at June 30, 2011.

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**NOTE 23 – SHORT-TERM DEBT**

On July 19, 2011, the State Treasurer issued \$500.0 million of General Fund Tax Revenue Anticipation Notes (GTRAN), Series 2011A. The notes were due and payable on June 27, 2012, at a coupon rate of 2.0 percent. The total interest related to this issuance was \$768,889. However, the notes were issued at a premium of \$8.6 million resulting in net interest costs of \$843,589 and a yield of 0.16 percent. The notes were issued for cash management purposes and were repaid before June 30, 2012, as required by the State Constitution.

Statutes authorize the State Treasurer to issue notes and lend the proceeds to local school districts in anticipation of local school district revenues to be collected at a later time. On July 14, 2011, the State Treasurer issued \$100.0 million of Education Loan Program Tax and Revenue

Anticipation Notes, Series 2011A. The notes had a coupon rate of 2.0 percent but were issued at a premium, resulting in net interest costs of \$233,667 or .24 percent. The notes matured on June 29, 2012 and were repaid.

On January 13, 2012, the State Treasurer issued \$230.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2012A. The notes had a coupon rate of 2.0 percent but were issued at a premium, resulting in net interest costs of \$117,811 or 0.11 percent. The notes matured on June 29, 2012, and were repaid.

The following schedule shows the changes in short-term financing for the period ended June 30, 2012:

	Beginning Balance July 1	(Amount in Thousands)		Ending Balance June 30
		Changes		
		Additions	Reductions	
Governmental Activities:				
Tax Revenue Anticipation Notes	\$ -	\$ 500,000	\$ (500,000)	\$ -
Education Loan Anticipation Notes	\$ -	330,000	(330,000)	-
Total Governmental Activities Short-Term Financing	-	830,000	(830,000)	-
Total Short-Term Financing	\$ -	\$ 830,000	\$ (830,000)	\$ -

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**NOTE 24 – NOTES, BONDS, AND CERTIFICATES OF PARTICIPATION PAYABLE**

**Primary Government**

Various institutions of higher education, the State Nursing Homes, the State Historical Society, the Judicial Branch, and the Departments of Corrections, Transportation, and Personnel & Administration have outstanding notes, bonds, and/or Certificates of Participation (COPs) for the purchase of equipment or to construct facilities or infrastructure. Except for the Department of Corrections which receives Capital Projects Fund appropriations for lease payments related to COPs, specific user revenues are pledged for the payments of interest and future retirement of the obligations. The State is not allowed by its Constitution to issue general obligation debt except to fund buildings for State use, to defend the State or the U.S. (in time of war), or to provide for unforeseen revenue deficiencies; additional restrictive limitations related to the valuation of taxable property also apply.

During Fiscal Year 2011-12 the State's governmental activities had \$166.7 million of federal and State revenue available in the Highway Users Tax Fund to meet an equivalent amount of debt service. Collectively, the State's business-type activities had \$691.8 million of available net revenue after operating expenses to meet the \$203.1 million of debt service requirement related to revenue bonds.

The revenue of an individual business-type activity is generally not available to meet the debt service requirements of another business-type activity. (See additional disclosures regarding pledged revenue in Note 37.)

During Fiscal Year 2011-12 the State recorded \$250.1 million of interest costs, of which, \$89.0 million was recorded by governmental activities and \$161.1 million was recorded by business-type activities. The governmental activities interest cost primarily comprises \$42.3 million of Highway Users Tax Fund interest on Transportation Revenue Anticipation Notes issued by the Department of Transportation, \$16.3 million of interest on Certificates of Participation issued by the Judicial Branch, and \$13.3 of interest on Certificates of Participation issued by the State Treasurer for the Building Excellent Schools Today program. The business-type activities interest cost primarily comprises \$120.4 million of interest on revenue bonds issued by institutions of higher education, \$14.9 million of interest paid to lending institutions that made loans to students under the College Assist loan guarantee program, \$13.9 million of interest on bonds issued by the Bridge Enterprise in the Transportation Enterprise, and \$11.2 million of interest on Unemployment Insurance Fund's federal loan and revenue bonds. College Assist and the Transportation Enterprise are nonmajor enterprise funds.

Annual maturities of notes, bonds, and COPs payable at June 30, 2012, are as follows:

Fiscal Year	(Amounts in Thousands)							
	Governmental Activities							
	Revenue Bonds		Notes Payable		Certificates of Participation		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 132,105	\$ 35,738	\$ 1,855	\$ 423	\$ 28,745	\$ 43,795	\$ 162,705	\$ 79,956
2014	140,545	27,295	1,965	400	29,382	42,682	171,892	70,377
2015	146,575	21,267	2,005	359	30,733	41,334	179,313	62,960
2016	156,565	11,275	2,045	317	32,009	39,120	190,619	50,712
2017	125,765	3,104	2,090	275	33,389	37,756	161,244	41,135
2018 to 2022	-	-	11,115	703	140,549	168,734	151,664	169,437
2023 to 2027	-	-	-	-	221,319	139,013	221,319	139,013
2028 to 2032	-	-	-	-	294,982	93,379	294,982	93,379
2033 to 2037	-	-	-	-	60,775	53,155	60,775	53,155
2038 to 2042	-	-	-	-	74,995	31,614	74,995	31,614
2043 to 2047	-	-	-	-	53,066	6,447	53,066	6,447
Subtotals	701,555	98,679	21,075	2,477	999,944	697,029	1,722,574	798,185
Unamortized Prem/Discount	37,584	-	(1,706)	-	18,374	-	54,252	-
Accrued Capital Appreciation Certificates	-	-	-	-	137	-	137	-
Totals	\$ 739,139	\$ 98,679	\$ 19,369	\$ 2,477	\$ 1,018,455	\$ 697,029	\$ 1,776,963	\$ 798,185

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(Amounts in Thousands)

**Business-Type Activities**

Fiscal Year	Assuming current interest							
	Revenue Bonds		Notes Payable		Certificates of Participation		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 221,045	\$ 158,890	\$ 3,848	\$ 304	\$ 18,120	\$ 20,210	\$ 243,013	\$ 179,404
2014	207,221	156,814	683	134	18,983	19,539	226,887	176,487
2015	212,397	149,164	710	107	19,834	18,758	232,941	168,029
2016	213,515	144,222	741	78	20,749	17,860	235,005	162,160
2017	215,553	146,244	759	47	21,709	16,897	238,021	163,188
2018 to 2022	502,023	620,165	578	28	125,330	66,820	627,931	687,013
2023 to 2027	583,569	497,615	60	8	143,061	31,890	726,690	529,513
2028 to 2032	602,244	344,751	-	-	51,990	5,095	654,234	349,846
2033 to 2037	582,285	185,849	-	-	-	-	582,285	185,849
2038 to 2042	303,155	50,265	-	-	-	-	303,155	50,265
2043 to 2047	19,879	2,337	-	-	-	-	19,879	2,337
<b>Subtotals</b>	<b>3,662,886</b>	<b>2,456,316</b>	<b>7,379</b>	<b>706</b>	<b>419,776</b>	<b>197,069</b>	<b>4,090,041</b>	<b>2,654,091</b>
Unamortized Prem/Discount	70,308	-	(26)	-	1,175	-	71,457	-
Unaccrued Interest	(13,316)	-	-	-	-	-	(13,316)	-
<b>Totals</b>	<b>\$ 3,719,878</b>	<b>\$ 2,456,316</b>	<b>\$ 7,353</b>	<b>\$ 706</b>	<b>\$ 420,951</b>	<b>\$ 197,069</b>	<b>\$ 4,148,182</b>	<b>\$ 2,654,091</b>

In March 2008, the Colorado School of Mines entered a derivative instrument agreement (interest rate swap) as an effective hedge against expected increasing interest costs on its variable rate debt. See Note 28 for additional information.

applied over the term of the debt, at June 30, 2012, Mine's aggregate debt service payments and net swap cash payments are reflected in the table below:

(Amounts in Thousands)

**Net Debt Service for Colorado School of Mines' Interest Rate Swap Agreement**

Fiscal Year	Interest Rate			
	Principal	Interest	Swap, Net	Total
2013	\$ 575	\$ 68	\$ 1,428	\$ 2,071
2014	600	67	1,408	2,075
2015	625	66	1,387	2,078
2016	625	65	1,366	2,056
2017	675	64	1,343	2,082
2018 to 2022	3,525	302	6,349	10,176
2023 to 2027	5,025	268	5,637	10,930
2028 to 2032	12,900	195	4,111	17,206
2033 to 2037	14,335	83	1,755	16,173
2038 to 2042	3,075	3	53	3,131
<b>Totals</b>	<b>\$ 41,960</b>	<b>\$ 1,181</b>	<b>\$ 24,837</b>	<b>\$ 67,978</b>

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The original principal amount of the State's debt disclosed in the above tables is as follows:

(Amounts in Thousands)

	Revenue Bonds	Notes Payable	Certificates of Participation	Total
Governmental Activities	\$ 1,486,145	\$ 21,075	\$ 1,047,997	\$ 2,555,217
Business Type Activities	4,247,149	10,663	450,597	4,708,409
<b>Total</b>	<b>\$ 5,733,294</b>	<b>\$ 31,738</b>	<b>\$ 1,498,594</b>	<b>\$ 7,263,626</b>

**Component Units**

The debt service requirements to maturity for the Colorado Water Resources and Power Development Authority as of December 31, 2011, excluding unamortized original issue discount and premium and deferred refunding costs are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2012	\$ 60,205	\$ 51,473	\$ 111,678
2013	59,905	48,849	108,754
2014	60,755	46,203	106,958
2015	57,655	43,405	101,060
2016	59,105	40,748	99,853
2017 to 2021	281,575	162,780	444,355
2022 to 2026	217,715	101,338	319,053
2027 to 2031	141,850	59,945	201,795
2032 to 2036	121,580	26,948	148,528
2037 to 2041	28,130	7,544	35,674
2042 to 2043	11,665	926	12,591
<b>Total Future Payments</b>	<b>\$ 1,100,140</b>	<b>\$ 590,159</b>	<b>\$ 1,690,299</b>

The original principal amount for the outstanding bonds was \$1,588.9 million. Total interest paid during 2011 amounted to \$54.2 million.

All of the Colorado Water Resources and Power Development Authority's Small Water Resources Program bonds are insured as to payment of principal and interest by National Public Finance Guaranty, a wholly owned subsidiary of MBIA, Inc. The Clean Water Revenue Bonds, Series 1992A are insured as to payment of principal and interest by Assured Guaranty Municipal Corp. The Wastewater Revolving Fund Refunding Revenue Bonds, Series 1996A are insured as to payment of principal and interest by AMBAC Indemnity Corporation.

The Water Resources Revenue Bonds, Series 2003A, 2004B, 2004C, 2004D, and 2004E, and Series 2005A, 2005E, and 2005F are insured as to payment of principal and interest by MBIA Insurance Corporation. The Water Resources Revenue Bonds Series 2005B, 2005C, and 2005D, Series 2008A, Series 2009A, Series 2010A, and 2011A are insured as to payment of principal and interest by Assured Guaranty Municipal Corp. The authority can issue up to \$150.0 million (excluding refunding bonds) of outstanding Small Water Resources Revenue Bonds, and as of December 31, 2011, it had \$51.6 million of these bonds outstanding.

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In May 2011, the University of Colorado Hospital Authority issued Series 2011A Revenue Bonds. The net proceeds of \$200.0 million will be used to partially fund construction of a new inpatient tower on the Anschutz Medical Campus. The revenue bonds are variable rate, bear interest weekly, and pay principal according to a mandatory sinking fund schedule. The average interest rate in 2011 was 0.14%. To provide liquidity support for the Series 2011A the Authority entered into a letter of credit agreement with Wells Fargo Bank, which will expire May 2016 unless extended by the bank.

Also in May 2011, the hospital converted the replacement Standby Bond Purchase Agreement with Wells Fargo Bank to a letter of credit agreement with JP Morgan Chase to provide liquidity support for the Series 2004A Revenue Bonds. The letter of credit agreement expires May 2016 unless extended by the bank. As a result of the conversion, the hospital terminated the Assured Guaranty investment policy on the Series 2004A.

During Fiscal Year 2010-11, the hospital met all the financial ratio requirements of its bond indentures. The hospital's interest payments in Fiscal Year 2010-11 were \$23.3 million.

The aggregate maturities of long-term debt for the University of Colorado Hospital Authority at June 30, 2011, are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2012	\$ 13,295	\$ 27,620	\$ 40,915
2013	13,655	27,092	40,747
2014	12,748	26,596	39,344
2015	13,180	26,025	39,205
2016	13,450	25,464	38,914
2017 to 2021	77,330	117,319	194,649
2022 to 2026	97,450	97,119	194,569
2027 to 2031	123,800	70,767	194,567
2032 to 2036	149,485	45,078	194,563
2037 to 2040	175,365	19,202	194,567
2041 to 2042	38,480	436	38,916
<b>Total Long-Term Debt Payments</b>	<b>728,238</b>	<b>\$ 482,718</b>	<b>\$ 1,210,956</b>
Less: Unamortized Discount	(1,772)		
Deferred Amount on Refunding of			
Series 1997 A Bonds	(3,161)		
Series 2008 B Bonds	(7,414)		
Series 2009 A Bonds	(231)		
<b>Total Carrying Amount of Long-Term Debt</b>	<b>\$ 715,660</b>		

In February 2011, the University of Colorado Foundation renewed a \$20.0 million, three-year committed, unsecured line of credit with a bank. The credit line carries an interest rate tied to the LIBOR index floating rate plus 175 basis points. No amounts were outstanding at June 30, 2011.

In April 2009, the Denver Metropolitan Major League Baseball Stadium District entered into a five-year noninterest bearing Promissory Note for \$2.4 million to acquire certain real and personal property relating to maintaining a view plane to preserve mountain views from Coors Field. The note is collateralized by the underlying property and related rentals under a Deed of Trust. The note may be prepaid in whole or in part at any time without penalty.

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Metropolitan State College of Denver has unconditionally guaranteed the debt service on bonds issued by the Metropolitan State College of Denver Roadrunner Recovery and Reinvestment Act Finance Authority and transferred to HLC @ Metro, Inc. in October 2010. Bonds of \$54.9 million were issued to finance the College's Hotel and Hospitality Learning Center. The issuance comprised \$49,640,000 of Taxable Revenue Bonds Series 2010A (Build America Bonds – Direct Payment), \$4,500,000 Tax-Exempt Revenue Bonds Series 2010B, and \$745,000 Taxable Revenue Bonds Series 2010C. The Series bonds have both serial and term components maturing between Fiscal Year 2015-16 and Fiscal Year 2042-43 and interest rates ranging from 2.0 percent to 6.5 percent.

The debt service requirements to maturity for HLC @ Metro, Inc. at June 30, 2011, are as follows:

(Amounts in Thousands)

Year	Principal	Interest	Total
2011	\$ -	\$ 1,613	\$ 1,613
2012	-	3,226	3,226
2013	-	3,226	3,226
2014	410	3,226	3,636
2015	710	3,218	3,928
2016 to 2020	5,800	15,615	21,415
2021 to 2025	7,395	14,139	21,534
2026 to 2030	8,870	11,880	20,750
2031 to 2035	10,820	8,870	19,690
2036 to 2040	13,285	5,090	18,375
2041 to 2042	7,595	786	8,381
<b>total Future Payments</b>	<b>\$ 54,885</b>	<b>\$ 70,889</b>	<b>\$ 125,774</b>

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**NOTE 25 – CHANGES IN LONG-TERM LIABILITIES**

**Primary Government**

The following table summarizes the changes in long-term liabilities for Fiscal Year 2011-12:

	(Amount in Thousands)				
	Restated Beginning Balance July 1	Changes		Ending Balance June 30	Due Within One Year
		Additions	Reductions		
<b>Governmental Activities</b>					
Deposits Held In Custody For Others	\$ 1,152	\$ 1,528	\$ -	\$ 2,680	\$ 2,663
Accrued Compensated Absences	146,880	5,561	(10,188)	142,253	9,859
Claims and Judgments Payable	384,644	4,226	(13,496)	375,374	44,858
Capital Lease Obligations	107,588	35,476	(21,635)	121,429	14,387
Bonds Payable	869,283	136,353	(268,204)	737,432	132,105
Certificates of Participation	897,631	704,621	(583,796)	1,018,456	28,745
Notes, Anticipation Warrants, Mortgages	-	21,075	-	21,075	1,855
Other Long-Term Liabilities	434,194	16,399	(22,765)	427,828	-
<b>Total Governmental Activities Long-Term Liabilities</b>	<b>2,841,372</b>	<b>925,239</b>	<b>(920,084)</b>	<b>2,846,527</b>	<b>234,472</b>
<b>Business-Type Activities</b>					
Accrued Compensated Absences	220,200	31,750	(17,982)	233,968	14,942
Claims and Judgments Payable	35,373	7,137	(5,916)	36,594	122
Capital Lease Obligations	48,416	13,742	(23,120)	39,038	5,853
Derivative Instrument Liabilities	6,182	7,421	(609)	12,994	-
Bonds Payable	2,784,530	1,286,082	(308,774)	3,761,838	221,620
Certificates of Participation	430,535	89,679	(99,264)	420,950	18,120
Notes, Anticipation Warrants, Mortgages	3,505	4,289	(440)	7,354	3,848
Other Postemployment Benefits	124,761	33,777	(18,885)	139,653	-
Other Long-Term Liabilities	49,006	3,034	(6,270)	45,770	4,997
<b>Total Business-Type Activities Long-Term Liabilities</b>	<b>3,702,508</b>	<b>1,476,911</b>	<b>(481,260)</b>	<b>4,698,159</b>	<b>269,502</b>
<b>Fiduciary Activities</b>					
Deposits Held In Custody For Others	1,106,612	4,642	(245,976)	865,278	824,251
Accrued Compensated Absences	54	-	(17)	37	-
Other Long-Term Liabilities	9,383	261	(3,915)	5,729	-
<b>Total Fiduciary Activities Long-Term Liabilities</b>	<b>1,116,049</b>	<b>4,903</b>	<b>(249,908)</b>	<b>871,044</b>	<b>824,251</b>
<b>Total Primary Government Long-Term Liabilities</b>	<b>\$ 7,659,929</b>	<b>\$ 2,407,053</b>	<b>\$ (1,651,252)</b>	<b>\$ 8,415,730</b>	<b>\$ 1,328,225</b>

Accrued compensated absences liabilities of both the governmental activities and the business-type activities are normally liquidated using resources of the fund that is responsible for paying the employee's salary. As a result, the resources of nearly all of the State's funds are used to liquidate the compensated absence liability.

The amount shown in the schedule above for Notes, Bonds, and Certificates of Participation do not include the short-term borrowing disclosed in Note 23. A current portion is not normally identifiable for Derivative Instrument Liabilities, Other Post Employment Benefits, and Other Long-Term Liabilities, except for CollegeInvest's prepaid tuition costs in the business-type activities.

Long-term liabilities that are actuarially determined include amounts for claims that are incurred but not yet reported. Since these liabilities are not based on individually identifiable claims, it is not practicable to report gross additions and reductions. (See notes 19 and 21 for the amount of claims reported and paid and other adjustments to these actuarially determined liabilities.)

Governmental activities include internal service funds, which apply full accrual accounting, and as a result, additions to Capital Lease Obligations shown above include amounts that are not shown as capital lease proceeds on the *Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds*.

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At June 30, 2012, the following obligations were classified as Other Long-Term Liabilities on the government-wide *Statement of Net Position*:

The \$427.8 million shown for governmental activities primarily comprises:

- \$256.5 million of tax refunds payable at the Department of Revenue, which were at various levels of administrative and legal appeal. These refunds relate to tax revenues of the General Purpose Revenue Fund and Highway Users Tax Fund. Payment is not expected within one year.
- \$150.7 million of pollution remediation obligations at the Department of Public Health and Environment (see Note 27 for additional information on pollution remediation obligations).

**Component Units**

Changes in long-term liabilities are summarized as follows:

	(Amounts in Thousands)				
	Restated Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>University of Colorado Hospital Authority</b>					
Bonds Payable	\$ 527,132	\$ 202,119	\$ (13,591)	\$ 715,660	\$ 13,295
<b>Colorado Water Resources and Power Development Authority</b>					
Bonds Payable	\$ 1,047,011	\$ 67,080	\$ (73,722)	\$ 1,040,369	\$ 60,205
Other Long-Term Liabilities	\$ 183,148	\$ 102,475	\$ (100,742)	\$ 184,881	\$ 154,514

The Other Long-Term Liabilities of the Colorado Water Resources and Power Development Authority were primarily attributable to the Water Operations Fund, accounting for \$27.5 million of the \$30.4 million total. The other long-term liabilities of the Water Pollution Control Fund and Drinking Water Fund were \$0.9 million and \$2.0 million respectively. Sixty-nine percent of total, other long-term liabilities (\$21.1 million) were related to project costs payable—amounts not yet requisitioned—on loans made to local government borrowers.

The University of Colorado Foundation has beneficial interest in various split-interest agreements including charitable gift annuities, charitable remainder trusts (annuity and unitrust), two charitable lead trusts, a minor pooled income fund, and charitable remainder trusts held by others. The charitable gift annuity assets are immediately available to the foundation. After termination of the charitable remainder trust agreements, the related assets revert to the foundation to create an endowment to support university activities. The estimated net present value of obligations to named beneficiaries is reported as an Other Long-Term Liability on the *Statement of Net Position – Component Units*. Actuarially determined life

- \$20.6 million of unclaimed property liabilities estimated to be due to claimants.

The \$40.8 million (including \$1.8 million Due to Component Units) shown for business-type activities primarily comprises:

- \$23.3 million of commitments to pay future tuition costs related to the prepaid tuition program of CollegeInvest.
- \$15.7 million of deferred revenue in Institutions of Higher Education, the most significant balances relate to an early retirement incentive program and an alternate Medicare program at the University of Colorado (\$8.0 million and \$5.2 million, respectively).

expectancies and risk-free rates of return are used to estimate the obligation to named beneficiaries. The fair value of assets in excess of the estimated liability is recorded as Gifts and Donations revenue at the date of the gift.

Changes in value of the investments are combined with changes in the actuarial estimate of liabilities and are reported as Gifts and Donations revenue on the *Statement of Revenue, Expenditures, and Changes in Fund Net Assets – Component Units*. At June 30, 2011, the foundation held \$61.9 million of split interest agreement investments with \$22.0 million of related liabilities and reported \$3.9 million of net beneficial interest in charitable trusts held by others.

At June 30, 2011, the University of Colorado Foundation held \$247.1 million of endowments and other funds in trust for the University of Colorado and another entity. On the *Statement of Net Position – Component Units*, this liability is reported primarily as Deposits Held in Custody and partially as Other Current Liabilities.

The Colorado State University Foundation (CSUF) administers life income agreements as gift annuities where an income beneficiary is the lifetime recipient of income and the

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foundation is the remainder beneficiary. Upon receipt of the gift, a liability is established for the estimated net present value of the lifetime recipient's interest using applicable mortality tables and a discount rate commensurate with the risks involved. A contribution is recognized for the estimated remainder interest.

CSUF has also been named remainder beneficiary for trusts administered by third party corporate trustees. For this arrangement, a receivable and contribution are recorded at the estimated present value of the remainder interest. These life income arrangements are revalued annually to reflect changes in the remainder interest estimates.

At June 30, 2011, total life income agreement assets of CSUF were \$747,310. Life income agreements payable at the same date totaled \$885,499. The estimated net present value of obligations to named beneficiaries is reported as an Other Long-Term Liability on the *Statement of Net Position – Component Units*.

At June 30, 2011, the foundation held \$12.2 million of endowments and related expendable accounts for Colorado State University. On the *Statement of Net Position – Component Units*, this liability is reported as Deposits Held in Custody.

At June 30, 2011, the Colorado School of Mines Foundation (CSMF), acting as trustee, held charitable trust and pooled income assets of \$16.6 million; related liabilities of \$10.1 million are calculated using the Internal Revenue Service discount rate for computing charitable contribution deductions. The estimated net present value of obligations to named beneficiaries is reported as part of Other Long-Term Liabilities on the *Statement of Net Position – Component Units*.

CSMF has entered several gift annuity contracts that require future payments to the donor or their named beneficiaries; these requirements are reported as part of the \$10.1 million mentioned above and total \$4.8 million. At June 30, 2011, CSMF reported \$15.4 million of assets held in trust, primarily for the Colorado School of Mines, which are shown on the *Statement of Net Position – Component Units* as Deposits Held in Custody.

**NOTE 26 – DEFEASED DEBT**

Debt is defeased by depositing in escrow accounts an amount sufficient, together with known minimum investment yields, to pay principal, interest, and any redemption premium on the debt to be defeased. During Fiscal Year 2011-12, debt was defeased in both governmental and business-type activities.

At June 30, 2012, the remaining balances of amounts previously placed in escrow accounts with paying agents are as follows:

(Amount in Thousands)	
Agency	Amount
<b>Governmental Activities:</b>	
Department of Transportation	\$ 225,285
Department of Treasury	18,240
Department of Corrections	18,100
<b>Business-Type Activities:</b>	
University of Colorado	325,035
Colorado State University	70,545
Colorado Mesa University	53,990
Colorado School of Mines	23,800
Western State College	19,105
Adams State College	7,930
Community College System	4,740
<b>Total</b>	<b>\$ 766,770</b>

The Department of Transportation issued \$104,650,000 of its Transportation Revenue Anticipation Notes, Refunding Series 2011 to fully defease \$106,070,000 of its Transportation Revenue Anticipation Notes, Series 2004A. The defeased debt had an interest of 5.00 percent, and the new debt had an interest rate of ranging from 4.00 to 5.00 percent. The remaining term of the debt was 5 years and the estimated debt service cash flows decreased by \$3,424,125. The defeasance resulted in an economic loss of \$270,840 and a book loss of \$9,132,507 that will be amortized as an adjustment of interest expense over the remaining 5 years of the new debt.

The Department of Transportation issued \$21,075,000 of its Refunding Certificates of Participation, Series 2012 to fully defease \$19,215,000 of its Certificates of Participation, Series 2004. The defeased debt had interest rates ranging from 3.63 to 5.00 percent, and the new debt had an interest rate of 2.08 percent. The remaining term of the debt was 22 years, and the estimated debt service cash flows decreased by \$10,334,882. The defeasance resulted in an economic gain of \$5,300,005 and a book loss of \$1,706,059 that will be amortized as an adjustment of interest expense over the remaining 10 years of the new debt.

The State of Colorado, acting by and through the Board of Regents of the University of Colorado, issued \$56,095,000 of its Refunding Certificates of Participation, Series 2012 to fully defease \$57,595,000 of its Certificates of Participation, Series 2005. The defeased debt had interest rates of 5.05 percent, and the new debt had an interest rate of 4.88 percent. The remaining term of the debt was 12.5 years, and the estimated debt service cash flows decreased by \$3,342,452. The defeasance resulted in an economic gain of \$2,771,352 and a book loss of \$7,700,643 that will be amortized as an adjustment of interest expense over the remaining 12.5 years of the new debt.

The Board of Regents of the University of Colorado issued \$174,450,000 of its Enterprise Refunding Revenue Bonds, Series 2011B to partially defease \$181,075,000 of its Enterprise Revenue Bonds, Series 2003A, 2004, and 2005A. The defeased debt had an interest rate of 4.95 percent, and the new debt has an interest rate of 2.41 percent. The remaining term of the debt was 17 years and the estimated debt service

cash flows decreased by \$14,141,992. The defeasance resulted in an economic gain of \$11,141,918 and a book loss of \$21,612,589 that will be amortized as an adjustment of interest expense over the remaining 17 years of the new debt.

The Board of Regents of the University of Colorado issued \$121,850,000 of its Enterprise Refunding Revenue Bonds, Series 2012A-I to partially defease \$127,460,000 of its Enterprise Revenue Bonds, Series 2004, 2005A, 2005B, and 2006A. The defeased debt had an interest rate of 4.95 percent, and the new debt has an interest rate of 2.85 percent. The remaining term of the debt was 17 years and the estimated debt service cash flows decreased by \$11,650,303. The defeasance resulted in an economic gain of \$9,026,020 and a book loss of \$15,265,646 that will be amortized as an adjustment of interest expense over the remaining 17 years of the new debt.

The Board of Governors of the Colorado State University System issued \$54,115,000 of its Tax-Exempt System Enterprise Refunding Revenue Bonds, Series 2012B to partially defease \$56,850,000 of its Tax-Exempt System Enterprise Revenue Bonds, Series 2005B, and 2007A, and fully defease Series 2003B. The defeased debt had interest rates ranging from 4.625 percent to 5.25 percent, and the new debt has interest rates ranging from 4.42 to 5.00 percent. The remaining term of the debt was 25 years and the estimated debt service cash flows decreased by \$6,121,648. The defeasance resulted in an economic gain of \$3,493,480 a book loss of \$7,506,232 that will be amortized as an adjustment of interest expense over the remaining 23 years of the new debt.

The Board of Governors of the Colorado State University System issued \$5,340,000 of its Taxable System Enterprise Refunding Revenue Bonds, Series 2012C to fully defease \$5,055,000 of its Tax-Exempt System Enterprise Refunding and Improvement Revenue Bonds, Series 2003A. The defeased debt had an interest rate of 5.06 percent, and the new debt has an interest rate of 1.48 percent. The remaining term of the debt was 5 years and the estimated debt service cash flows decreased by \$280,365. The defeasance resulted in an economic gain of \$370,670 and a book loss of \$111,956 that will be amortized as an adjustment of interest expense over the remaining 5 years of the new debt.

The Board of Trustees of the University of Northern Colorado issued \$41,690,000 of its 2.00 - 5.00 percent Auxiliary Facilities System Revenue Refunding Bonds, Series 2011A, to current refund \$46,040,000 of its 3.00 - 5.50 percent Auxiliary Facilities System Revenue Refunding and Improvement Bonds, Series 2001. The refunded debt had an interest of 5.04 percent, and the new debt has an interest rate of 3.70 percent. The remaining term of the debt was unchanged at 20 years and the estimated debt service cash flows decreased by \$9,319,293. The refunding resulted in an economic gain of \$4,539,354 and a book loss of \$1,795,767 that will be amortized as an adjustment of interest expense over the remaining 20 years of the new debt.

The Board of Trustees of University of Northern Colorado issued \$21,130,000 of its Variable Rate Demand Institutional Enterprise Revenue Refunding Bonds, Series 2011B to current refund \$22,590,000 of the 3.375-5.375 percent Colorado Educational and Cultural Facilities Authority, Student Housing Revenue Bonds, Series LLC 2001A acquired with the purchase of Arlington Park LLC (see Note 29). The refunded debt had an interest rate of 5.07 percent, and the new debt has a variable interest rate, initially set at the Moody's and Standard & Poor's index rate plus 0.70 percent. The remaining term of the debt was reduced from 26 to 25 years and the estimated debt service cash flows decreased by \$8,848,340. The refunding resulted in an economic gain of \$3,954,295 and a book loss of \$1,303,398 that will be amortized as an adjustment of interest expense over the remaining 25 years of the new debt.

The Board of Trustees of Western State College issued \$6,180,000 of its Institutional Enterprise Revenue Refunding Bonds, Series 2011A, and \$6,550,000 of Institutional Enterprise Revenue Refunding Bonds (Taxable), Series 2011B to fully defease \$7,130,000 of its Auxiliary Facilities System Refunding Bonds, Series 2003A and \$6,270,000 of its Auxiliary Facilities System Improvement Bonds, Series 2003B. The defeased debt has an interest rate of 4.66 percent, and the new debt had an interest rate of 3.10 percent. The remaining term of the debt was 13 years and the estimated debt service cash flows decreased by \$675,638. The defeasance resulted in an economic gain of \$318,617 and a book loss of \$1,321,383 that will be amortized as an adjustment of interest expense over the remaining 13 years of the new debt.

The Board of Trustees of Colorado Mesa University issued \$9,720,000 of its Auxiliary Facility System Enterprise Revenue Bond Series, 2011BC to fully defease \$8,800,000 of its Auxiliary Facility System Enterprise Revenue Bonds, Series 2003B. The defeased debt had an interest rate of 5.17 percent, and the new debt has an interest rate of 2.63 percent. The remaining term of the debt was 10 years and the estimated debt service cash flows decreased by \$277,720. The defeasance resulted in an economic gain of \$371,643 and a book loss of \$1,436,008 that will be amortized as an adjustment of interest expense over the remaining 10 years of the new debt.

The Board of Trustees of Colorado Mesa University issued \$19,315,000 of its Enterprise Revenue Bond, Series 2012A to fully defease \$18,080,000 of its Auxiliary Facility System Enterprise Revenue Bonds, Series 2005. The defeased debt had an interest rate of 4.87 percent, and the new debt has an interest rate of 3.22 percent. The remaining term of the debt was 24 years, and the estimated debt service cash flows decreased by \$2,921,908. The defeasance resulted in an economic gain of \$742,085 and a book loss of \$2,253,389 that will be amortized as an adjustment of interest expense over the remaining 22 years of the new debt.

**NOTE 27 – POLLUTION REMEDIATION OBLIGATIONS**

Various State agencies and institutions of higher education have pollution remediation obligations as defined by GASB Statement No. 49. Liability amounts are included in Other Current Liabilities or Other Long-Term Liabilities on the government-wide and proprietary fund-level *Statement of Net Positions*.

The State has numerous instances of hazardous waste contamination that qualify as Superfund sites. Superfund is the federal government’s program to clean up these hazardous waste sites. A hazardous waste site becomes a Superfund site when it is placed on an Environmental Protection Agency (EPA) list that ranks sites according to a process that assesses current or potential health impacts. The following individually significant items are all Superfund sites under the control of the Department of Public Health and Environment (DPHE).

The State’s total amount of pollution remediation obligations as of June 30, 2012 was \$154.0 million (\$3.3 million of which was a current liability). Superfund sites account for approximately \$153.5 million (\$2.8 million of which was a current liability) of the State’s total pollution remediation obligation. Other pollution obligations of the State include remediation activities related to asbestos abatement and removal, land contamination, and leaking underground storage tanks. Individually significant pollution remediation obligations are disclosed below:

- DPHE recorded a liability for remediation activities at the Summitville Mine of approximately \$70.1 million related to the operation of a water treatment plant. The new water treatment plant was completed in Fiscal Year 2011-12, and the operating and maintenance costs of the new plant are to be shared with the Environmental Protection Agency (EPA) in a 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. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact operating costs. As of June 30, 2012, the State has received \$8.3 million in recoveries from other responsible parties.

- DPHE recorded a liability for remediation activities in the Clear Creek Basin of approximately \$51.3 million related to a number of inactive precious metal mines that caused contamination in surface water and soil in the basin. The liability includes remediation and site clean-up activities, projected post-remediation operating and monitoring costs, the State operation of an existing water treatment plant, and operation of a new water treatment plant whose construction is expected to commence in 2013. Current operating and maintenance costs are borne 100 percent by the State. Beginning in 2016, the department will share these costs with the EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA for 10 years, after which time the State assumes 100 percent of the costs. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.
- DPHE recorded a liability for remediation activities at the Captain Jack Mill of approximately \$6.2 million related to the clean-up of contamination from mine waste piles and drainage. The EPA and the State have agreed upon a remediation plan from a recently completed engineering study. The State will be liable for a share of construction costs for a water treatment plant as well as future operating and maintenance costs in a cost-sharing ratio of 10 percent State, 90 percent EPA for the first 10 years, after which time the State assumes 100 percent of the costs. Plant construction cost estimates were based upon an engineering study and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA’s cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs. The State is currently investigating an experimental alternative that, if successful, would eliminate the need to construct the treatment plant.
- DPHE recorded a liability for remediation activities at the Nelson Tunnel of approximately \$16.6 million related to the clean-up of contamination from mine waste piles and drainage. The liability includes the construction of a water treatment plan from 2014 to 2016. The State will be liable for a share of construction costs for a water treatment plant as well as future operating and maintenance costs in a cost-sharing ratio of 10 percent State, 90 percent EPA until 2027, after which time the State assumes 100 percent of the costs. Plant construction cost estimates were

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based upon engineering designs and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these

estimates include regulatory changes in the EPA’s cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

**NOTE 28 – DEFERRED OUTFLOWS OF RESOURCES**

**NOTE 28 – DERIVATIVE INSTRUMENTS**

On March 5, 2008, the Colorado School of Mines entered into an interest rate swap agreement in connection with its Variable Rate Demand Enterprise Refunding Revenue Bonds Series 2008A debt issuance. The swap agreement was not terminated with the refunding of the Series 2008A bonds by the Series 2010A bonds (see Note 26). This agreement continues to qualify as a hedging derivative instrument per GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments. Changes in the fair value of hedging derivative instruments are reported as either deferred inflows or deferred outflows of resources in the *Statement of Net Position*, and accordingly, the State recognized a Deferred Outflow of Resources of \$5.0 million as of June 30, 2012.

The Swap Agreement is a cash flow hedge and was entered into with the objective of protecting against the potential of rising interest rates on existing variable rate revenue bonds. The Agreement, with an original notional amount of \$43.2 million and current notional amount of \$41.9 million, provides for net settlement payments to or from Morgan Stanley equal to the difference between the Agreement’s fixed rate of 3.59 percent (payable by the School) and 67 percent of the one-month British Bankers’ Association London Interbank Offering Rate (payable by Morgan

Stanley), which was 0.16 percent at June 30, 2012. Cash flows between the parties are settled on the net difference. The market value to Colorado School of Mines as of June 30, 2012 was \$13.0 million liability as determined by Morgan Stanley, counterparty to the Swap Agreement. The Agreement has an effective date of March 5, 2008, and a termination date of December 1, 2037. The derivative is reported under Noncurrent Liabilities on the *Statement of Net Position*.

There are inherent risks associated with interest rate swaps that the Colorado School of Mines monitors and addresses including:

- Termination Risk – Terminating the transaction while the market value is negative would likely require a termination payment by the School. An unanticipated termination and related payment could occur due to management decision to terminate, a counterparty default, or a decrease in the School’s credit rating.
- Credit Risk – This is the risk that the counterparty will not fulfill its obligations. The School considers the Swap Agreement counterparty’s credit quality rating and whether the counterparty can withstand continuing credit market stress. The School does not consider this a significant risk.
- Basis Index Risk – Basis risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow by the School. Basis risk can also result from the use of floating, but different, indices. To mitigate basis risk, the School’s policy requires indices used in an interest rate swap agreement to be recognized market indices, including, but not limited to, the Securities Industry and Financial Markets Association or the London Interbank Offered Rate.

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NOTES 29 Through 32 – DETAILS OF NET POSITION AND FUND EQUITY

NOTE 29 – PRIOR PERIOD ADJUSTMENTS AND ACCOUNTING CHANGES

A. PRIOR PERIOD ADJUSTMENTS

The beginning net position of the Governmental Activities on the government-wide *Statement of Activities* increased by \$335,258,608 due to the following adjustments:

- An increase of \$564,282,353, when the Department of Transportation capitalized assets to correct errors in from prior years. This correction does not affect the fund-level statements, but it is reflected on the *Statement of Revenues, Expenditures and Changes in Fund Balances Reconciled to Statement of Activities*.
- A decrease of \$259,055,863 when the Division of Parks, formerly a portion of a nonmajor governmental fund, that is no longer reported, was merged with the Division of Wildlife, a nonmajor enterprise fund, to form a new Division of Parks and Wildlife. The transfers of assets, liabilities and fund balances related to governmental activities comprises the following:
  - A decrease of \$211,811,470 when capital assets related to the Division of Parks were transferred to the new Division of Parks and Wildlife. This adjustment appears only on the government-wide *Statement of Activities* since the related assets and liabilities were not reported in the funds. The adjustment is reflected on the *Statement of Revenues, Expenditures and Changes in Fund Balances Reconciled to Statement of Activities*.
  - A decrease of \$47,244,393, when assets and liabilities were transferred to the new Division. Of this amount, \$25,385,899 was from the Other Special Purpose General Fund, \$19,188,409 was from the Resource Management Fund, a nonmajor special revenue fund, and \$2,670,085 was from the Resource Extraction Fund, a major governmental fund. These transfers also affect the beginning fund balances on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds*.
- A decrease of \$2,837,860 in the Department of Health Care Policy and Financing related to an Office of the Inspector General (OIG) federal audit. The OIG determined that the State overdraw federal funds for administrative costs from Federal Fiscal Year 1998 through Federal Fiscal Year 2006. This amount also decreased the beginning fund balance of the Tobacco Impact Mitigation Fund, reported within a nonmajor Other Special Revenue Fund in the fund-level *Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds*.
- A decrease of \$343,014 when the Department of Personnel & Administration paid Western State College in the amount of \$184,565 and Adams State College in the amount of \$158,449, to assume responsibility for claims and liabilities in the Worker’s Compensation Fund, that would have otherwise been current liabilities of the fund in Fiscal Year 2011-12. These transactions had no effect on the Higher Education Institutions Enterprise Fund because these institutions received a cash equivalent to the newly assumed current liability. These adjustments decreased the beginning fund balance of the Risk Management Special Purpose Fund reported within the fund-level *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds*.
- A decrease of \$362,397 when the Department of Personnel & Administration paid Fort Lewis College in the amount of \$306,572, Adams State College in the amount of \$34,678, and Colorado Mesa University, in the amount of \$21,147, to assume responsibility for claims and liabilities in the General Liability Fund, that would have otherwise been current liabilities of the fund in Fiscal Year 2011-12. These transactions had no effect on the Higher Education Institutions Enterprise Fund because these institutions received a cash equivalent to the newly assumed current liability. These adjustments decreased the beginning fund balance of the Risk Management Special Purpose Fund reported within the fund-level *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds*.
- An increase of \$29,570,789 when the State Land Board, within the Department of Natural Resources, failed to record deferred gains in the prior year associated with non-simultaneous exchanges on assets held in trust. This adjustment also increases the beginning fund balance for the State Lands Fund, a nonmajor permanent fund within the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds*.
- An increase of \$4,557,076 when the Judicial Branch failed to capitalize labor costs related to in-house software projects in prior years. This adjustment did not affect any of the fund-level financial statements, but it reflected on the *Statement of Revenues, Expenditures and Changes in Fund Balances Reconciled to Statement of Activities*.
- A decrease of \$201,430 when the Department of Health Care Policy and Financing determined that the Nursing Home Provider Fee revenues in prior years had been overstated. This adjustment also decreases the beginning fund balance of the Other Special

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Purpose Fund portion of the General Fund on the fund-level *Statement of Revenues, Expenditures and Changes in Fund Balances* and the *General Fund Schedule of Revenues, Expenditures, and Changes in General Fund*.

- An increase of \$485,055 when CollegeInvest, a nonmajor enterprise fund, failed to record a transfer to the General Fund during Fiscal Year 2010-11. Had this transfer been made, it would have increased the amount of General Fund Surplus that was statutorily transferred to the State Education Fund at the end of that year. This correction increases the beginning fund balance for the State Education Fund, a major governmental fund on the fund-level *Statement of Revenue, Expenditures and Changes in Fund Balances and Changes in Fund Balances- Proprietary Funds*.
- A decrease of \$836,101 when the Department of Labor restated receivable balances that had been written off in prior years. This reinstatement also decreases the beginning fund balances of the Labor Fund, a nonmajor special revenue fund on the fund level *Statement of Revenues, Expenditures and Changes in Fund Balances*.

The beginning net position of the Business-Type Activities on the government-wide *Statement of Activities* increased by \$254,570,304 due to the following adjustments:

- An increase of \$259,055,863 when the Division of Parks, formerly a nonmajor governmental fund, that is no longer reported, was consolidated with the Division of Wildlife, a nonmajor enterprise fund to form a new Division of Parks and Wildlife. The transfers also affects the beginning net position on the fund-level *Statement of Revenues, Expenses, and Changes in Net Position* and also requires an increase of beginning cash balance of \$43,299,459 on the *Statement of Cash Flows- Proprietary Funds*.
- A decrease of \$4,000,504 when the University of Northern Colorado issued Variable Rate Demand Institutional Enterprise Refunding Bonds (Series 2011B) to purchase Arlington Park Student Housing Facility and dissolved the University of Northern Colorado Student Housing LLC, a related organization. The refunding resulted in a loss for the University. This adjustment also decreased the beginning net position of the Higher Education Institutions on the fund-level *Statement of Net Position – Proprietary Funds*. It required an increase to beginning cash of \$3,688,624 on the *Statement of Cash Flows- Proprietary Funds*.
- A decrease of \$485,055 when CollegeInvest failed to record a transfer to the General Fund during Fiscal Year 2010-11. This adjustment reduces the beginning net position of CollegeInvest, a nonmajor enterprise fund on the fund-level *Statement of Revenues,*

*Expenses and Changes in Net Position – Proprietary Funds*. This correction also reduces beginning cash by the same amount on the *Statement of Cash Flows- Proprietary Funds*.

Additional changes on the *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* that did not affect the Statement of Activities are as follows:

- The beginning fund balance of the nonmajor Other Special Revenue Fund increased by \$2,519,321 when the Department of Public Health and Environment transferred fund balances of the Waste Tire Cleanup Fund, a component of the Environment and Health Protection Fund, a nonmajor special revenue fund, into the Process and End Users Fund, a portion of the Other Special Revenue Funds. This activity also decreases by the same amount the beginning fund balance of the Environmental and Health Protection Fund.
- The beginning fund balance of the Other Special Purpose Fund, a portion of the Special Purpose General Funds, increased by \$18,916 when the Department of Public Health and Environment transferred a portion of the fund balance in the Process and End Users Fund, to the Advance Technology Fund, a portion of the Other Special Purpose Fund.

Amounts shown in this note are actual balances and do not agree to amounts shown on the financial statements due to rounding on the statements.

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**NOTE 30 – FUND EQUITY**

On the *Balance Sheet – Governmental Funds*, the fund balance comprises the following (See Note 6I for additional details.):

	(Amounts in Thousands)		
	Restricted Purposes	Committed Purposes	Assigned Purposes
<b>GENERAL FUND:</b>			
General Government	\$ 283,339	\$ 307,596	\$ 20
Business, Community and Consumer Affairs	-	12,153	-
Education	215,977	1,651	-
Health and Rehabilitation	-	1,145	-
Justice	2,219	-	-
Natural Resources	-	151	-
Social Assistance	7,123	8,199	-
Transportation	-	-	-
<b>TOTAL</b>	<b>\$ 508,658</b>	<b>\$ 330,895</b>	<b>\$ 20</b>
<b>RESOURCE EXTRACTION:</b>			
General Government	\$ -	\$ 332,776	\$ -
Business, Community and Consumer Affairs	-	99,308	-
Education	-	15,943	-
Natural Resources	13,675	421,622	-
<b>TOTAL</b>	<b>\$ 13,675</b>	<b>\$ 869,649</b>	<b>\$ -</b>
<b>HIGHWAY USERS TAX:</b>			
General Government	\$ 8,077	\$ 10,484	\$ -
Health and Rehabilitation	-	1,344	-
Justice	-	66	-
Transportation	1,168,192	26,360	-
<b>TOTAL</b>	<b>\$ 1,176,269</b>	<b>\$ 38,254</b>	<b>\$ -</b>
<b>CAPITAL PROJECTS:</b>			
General Government	\$ 1,596	\$ 30,659	\$ -
Education	5,548	2,132	-
Justice	12,813	4	-
<b>TOTAL</b>	<b>\$ 19,957</b>	<b>\$ 32,795</b>	<b>\$ -</b>
<b>STATE EDUCATION:</b>			
Education	\$ 194,753	\$ -	\$ -
<b>TOTAL</b>	<b>\$ 194,753</b>	<b>\$ -</b>	<b>\$ -</b>
<b>OTHER GOVERNMENTAL FUNDS:</b>			
General Government	\$ 108,620	\$ 177,135	\$ -
Business, Community and Consumer Affairs	18,510	231,432	-
Education	63,302	7,230	-
Health and Rehabilitation	11,120	93,483	-
Justice	17,826	131,160	-
Natural Resources	3,203	6,845	-
Social Assistance	624	43,864	-
Transportation	37,591	-	-
<b>TOTAL</b>	<b>\$ 260,801</b>	<b>\$ 691,146</b>	<b>\$ -</b>

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**NOTE 31 – STABILIZATION ARRANGEMENTS**

In accordance with C.R.S. 24-75-201.1(d) the State maintains a General Purpose Revenue Fund statutory reserve for purposes of budget stabilization. The reserve is calculated as four percent of General Purpose Revenue Fund appropriations. C.R.S. 24-75-201.5(1)(a) further requires the Governor to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. In conjunction with the Governor's actions to reduce expenditures, the legislature has traditionally taken action to use the reserve. Historically, the statutory reserve has only been expended during recessionary periods when other budget measures have been exhausted. In Fiscal Year 2011-12 there was no use of the reserve. As of June 30, 2012, on a legal budgetary basis and on a GAAP basis the reserve was \$281.1 million - 4.0 percent of appropriated expenditures.

Article XXIV Section 7 of the State Constitution created the Old Age Pension Stabilization Fund, which is reported as a component of the General Fund – Special Purpose Funds. The fund is maintained at \$5.0 million and is only accessible through appropriation for old age pension basic minimum awards. Historically, the reserves in the fund have not been accessed.

**NOTE 32 – MINIMUM FUND BALANCE POLICIES**

The appropriations process and statutory structure that governs State fiscal matters generally does not provide for the ability to set aside fund balances outside of those processes. However, in limited circumstances boards and committees have fiscal policy and/or rulemaking authority. The following minimum fund balances were established under this type of authority.

Pursuant to Rule 8.2003.D the Hospital Provider Fee Oversight Advisory Board has established a reserve of four percent of the estimated expenditures for the Hospital Provider Fee Cash Fund plus any interest accrued by the fund. For Fiscal Year 2011-12 the reserve was \$9.4 million. The reserve acts as a buffer to minimize the need for midyear fee increases in the event that expenditures are higher than estimated. The minimum fund balance is reported as Committed in the nonmajor Health and Environmental Protection Fund.

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**NOTE 33 – INTERFUND RECEIVABLES AND PAYABLES**

Individual interfund receivable and payable balances at June 30, 2012, were:

	General Fund	Resource Extraction	Highway Users Tax	Capital Projects	State Education Fund
<b>SELLER'S/LENDER'S RECEIVABLE</b>					
<b>MAJOR FUNDS:</b>					
General Fund					
General Purpose	\$ 225	\$ 19	\$ 539	\$ -	\$ -
Special Purpose	5,277	-	-	-	-
Resource Extraction	95	-	4	102	-
Highway Users	390	-	-	-	-
Capital Projects	-	-	-	-	-
Regular Capital Projects	-	-	-	-	-
State Education	59,000	-	-	-	-
Higher Education Institutions	3,021	264	117	-	85
<b>NONMAJOR FUNDS:</b>					
<b>SPECIAL REVENUE FUNDS:</b>					
Labor	4,996	-	-	-	-
Tobacco Impact Mitigation	683	-	-	-	-
Environment and Health Protection	885	-	34	-	-
Other Special Revenue	217	-	-	-	-
<b>PERMANENT FUNDS:</b>					
State Lands Trust Expendable	-	-	-	-	-
State Lands Trust Nonexpendable	-	-	-	-	-
<b>ENTERPRISE FUNDS:</b>					
CollegeInvest	-	-	-	-	-
Wildlife	-	2	-	-	-
State Fair Authority	-	-	-	-	-
Correctional Industries	320	-	-	-	-
State Nursing Homes	1,055	-	-	-	-
<b>INTERNAL SERVICE FUNDS:</b>					
Central Services	2	-	-	-	-
Information Technology	1,492	-	20	-	-
Highways	77	-	-	-	-
Other Internal Service	-	-	-	-	-
<b>FIDUCIARY FUNDS:</b>					
Group Benefit Plans	20,402	-	7	-	-
College Savings Plan	-	-	-	-	-
Other Fiduciary	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 98,137</b>	<b>\$ 285</b>	<b>\$ 721</b>	<b>\$ 102</b>	<b>\$ 85</b>

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(Amounts in Thousands)

**BUYER'S/BORROWER'S PAYABLE**

Higher Education Institutions	State Lottery	All Other Funds	Total
\$ 422	\$ -	\$ 36,632	\$ 37,837
-	16,153	3,525	24,955
-	-	1,174	1,375
-	-	1,019	1,409
7,465	-	-	7,465
-	-	-	59,000
-	-	1,663	5,150
3	-	500	5,499
-	-	622	1,305
-	-	-	919
-	-	1,343	1,560
-	-	5,548	5,548
-	-	3,308	3,308
-	-	17	17
362	2,898	141	3,403
-	-	90	90
2,377	-	-	2,697
-	-	-	1,055
16	-	-	18
-	-	20	1,532
-	-	-	77
-	-	-	-
1,216	-	3	21,628
-	-	4,546	4,546
-	9,933	-	9,933
<b>\$ 11,861</b>	<b>\$ 28,984</b>	<b>\$ 60,151</b>	<b>\$ 200,326</b>

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Except for the transfer of General Fund Surplus discussed below; all of the material receivables and related payables shown in the schedule on the previous two pages are the result of normal operating activities where the receivables and payables were not liquidated before the year-end close of the State's accounting system. This represents timing differences between when generally accepted accounting principles require transactions to be recognized and when cash is actually distributed.

The State Education Fund receivable of \$59.0 million represents a partial transfer of the General Fund Surplus transfer for Fiscal Year 2011-12 required in accordance with CRS 24-75-201.1. The cash transfer will occur upon the issuance of the State's Fiscal Year 2011-12 Comprehensive Annual Financial Report in December 2012.

The Group Benefits Plan Fund receivable of \$20.4 million from the General Purpose Revenue Fund primarily represents the health insurance benefits premium portion of payroll for services provided in the fiscal year that is required by statute to be paid in the next fiscal year.

The Capital Projects Fund receivable of \$7.5 million represents the required cash contributions from the University of Colorado for its share of appropriated capital project vendor payables that were outstanding at fiscal year end.

The Special Purpose General Fund receivable of \$16.2 million consists of a receivable recorded by the Conservation Trust Fund for \$11.6 million, and in the Building Excellent Schools Today Grant Program in the amount of \$4.6 million.

The Other Fiduciary Fund receivable of \$9.9 million was recorded by the State Treasurer for the Great Outdoors Colorado Fund. These are statutory distributions of the Lottery net proceeds.

The General Purpose Revenue Fund receivable of \$36.6 million from All Other Funds includes \$20.3 million of receivables from the Limited Gaming Fund, \$5.8 million from various cash funds to support incurred Medicaid expenditures, and \$9.4 million in the State Rail Bank as required in accordance with HB 12-1343.

The Special Purpose General Fund receivable of \$5.3 million represents legislative reversions of \$2.7 million and personal services and operating line item reversions of \$2.6 million payable to the Legislative Department Cash Fund and State Employee Reserves Fund as required by HB 12-1301 and HB 12-1321 respectively.

The State Land's Trust Expendable receivable of \$5.5 million represents June's state land revenues from the State Land Board.

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**NOTE 34 – TRANSFERS BETWEEN FUNDS**

Transfers between funds for the fiscal year ended June 30, 2012, were as follows:

	General Fund	Resource Extraction	Highway Users Tax
<b>TRANSFER-OUT FUND</b>			
<b>MAJOR FUNDS:</b>			
General Fund:			
General Purpose	\$ 2,696,280	\$ -	\$ -
Special Purpose	73,112	-	-
Resource Extraction	203,038	-	-
Highway Users Tax	60,863	-	-
Capital Projects:			
Regular Capital Projects	535	-	500
Special Capital Projects	3	-	-
State Education	1,131	-	-
Higher Education Institutions	4,949	-	-
Unemployment	2,141	-	-
Lottery	54,354	-	-
<b>NONMAJOR FUNDS:</b>			
<b>SPECIAL REVENUE FUNDS:</b>			
Labor	27,143	-	-
Gaming	21,398	-	-
Tobacco Impact Mitigation	146,080	-	-
Resource Management	598	-	-
Environment and Health Protection	629,862	-	-
Unclaimed Property	2,007	-	-
Other Special Revenue	91,717	-	1,665
<b>PERMANENT FUNDS:</b>			
State Lands Trust Nonexpendable	-	-	-
State Lands Trust Expendable	117,778	-	-
Other Permanent Trust Nonexpendable	-	-	-
<b>ENTERPRISE FUNDS:</b>			
CollegeInvest	95	-	-
Wildlife	10,439	298	-
College Assist	126	-	-
State Fair	83	-	-
Correctional Industries	365	-	-
State Nursing Homes	1,727	-	-
Prison Canteens	48	-	-
Petroleum Storage	922	-	-
Other Enterprise	263	-	-
<b>INTERNAL SERVICE FUNDS:</b>			
Central Services	1,444	-	-
Information Technology	1,586	-	-
Capitol Complex	825	-	-
Public Safety	21	-	-
Administrative Courts	185	-	-
Other Internal Service	614	-	-
<b>FIDUCIARY FUNDS:</b>			
Group Benefit Plans	210	-	-
Other Fiduciary	104	-	-
<b>TOTAL</b>	<b>\$ 4,152,046</b>	<b>\$ 298</b>	<b>\$ 2,165</b>

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(Amounts in Thousands)

**TRANSFER-IN FUND**

Capital Projects	State Education	Higher Education Institutions	All Other Funds	TOTAL
\$ 49,298	\$ 59,000	\$ 133,605	\$ 53,183	\$ 2,991,366
35	-	-	11,155	84,302
-	-	14,883	8,471	226,392
1,877	-	-	168,559	231,299
1,131	-	13,716	18,435	34,317
4,371	-	-	20,657	25,031
-	-	4,971	-	6,102
-	-	-	-	4,949
-	-	-	-	2,141
-	-	-	12,325	66,679
1,213	-	-	218	28,574
4,414	-	6,295	1,105	33,212
8,609	-	14,364	4,012	173,065
-	-	-	75	673
77	-	-	9,210	639,149
-	-	-	375	2,382
127	2	-	838	94,349
2,193	-	786	439	3,418
-	-	115	38,181	156,074
-	-	-	10	10
-	-	-	-	95
-	-	-	225	10,962
-	-	-	-	126
-	-	-	-	83
-	-	-	-	365
-	-	-	-	1,727
17	-	-	-	65
153	-	-	-	1,075
-	-	-	-	263
-	-	-	-	1,444
-	-	-	-	1,586
-	-	-	220	1,045
-	-	-	-	21
-	-	-	-	185
-	-	-	-	614
-	-	-	-	210
-	-	-	-	104
<b>\$ 73,515</b>	<b>\$ 59,002</b>	<b>\$ 188,735</b>	<b>\$ 347,693</b>	<b>\$ 4,823,454</b>

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In the normal course of events, the Legislature appropriates a large number of transfers between funds exercising its responsibility to allocate the State's resources to programs shown in the above schedule. The most significant of these are the transfers-out of the General Purpose Revenue Fund and into the State Public School Fund of \$2,671.8 million (a Special Purpose General Fund), and into the Higher Education Institutions of \$133.6 million (primarily for student financial aid, occupational education, and job training).

In response to continuing fiscal stress caused by revenue shortfalls, the Governor and the Legislature authorized significant nonroutine transfers totaling \$141.2 million from various funds to augment the General Purpose Revenue Fund, including transfers from various major and nonmajor funds, as follows:

Resource Extraction (major governmental fund)

- \$41.0 million from the Severance Tax Fund
- \$48.1 million from the Base Account of the Severance Tax Trust Fund
- \$30.0 million from the Mineral Leasing Fund

Nonmajor special revenue funds

- \$12.7 million from 14 funds where individual transfer amounts did not exceed \$5.0 million
- \$9.4 million from the State Rail Bank.

In addition to these General Purpose Revenue Fund transfers, other individually significant routine transfers include the following:

The Transfers-out from the General Purpose General Fund comprise \$49.3 million to fund controlled maintenance and capital projects.

Transfers-out from the special-purpose funds within the General Fund primarily comprise \$57.4 million in transfers from the Public School Fund to the Charter School Institute Fund.

Transfers-out from the General Purpose Revenue Fund to all other funds primarily include \$30.1 million to support the Children's Basic Health Plan, \$10.3 million authorized by the Governor through executive order into the Disaster Emergency Fund to cover wildfire expenditures, and \$6.7 million for deposit into the Correctional Treatment Cash Fund.

The Highway Users Tax Fund transfer-out to the General Purpose Revenue Fund includes \$48.4 million transferred to the Department of Revenue and \$7.2 million to the Department of Public Safety to support programs that generate revenue for or that provide services to the Highway Users Tax Fund.

The Highway Users Tax Fund transfer-out to All Other Funds includes \$167.8 million to the Debt Service Fund to pay debt service on Transportation Revenue

Anticipation Notes issued by the Department of Transportation.

The Lottery transfer-out to the Special Purpose General Fund primarily comprises \$49.3 million to the Conservation Trust Fund in the Department of Local Affairs as a statutory distribution of Lottery net proceeds.

The Labor transfer-out to the General Purpose Revenue Fund includes \$23.1 million from the Employment Support Fund to fund employment related activities at the Department of Labor and Employment.

The Tobacco Impact Mitigation Fund transfers-out to the General Purpose Revenue Fund includes \$123.5 million in transfers to the Department of Health Care Policy and Financing for the purchase of medical services.

The Resource Extraction transfer-out to the Special Purpose General Fund includes a \$67.6 million transfer from the Mineral Leasing Fund to the Department of Education State Public School Fund.

The Environment and Health Protection transfer-out to the General Purpose Revenue Fund includes \$619.9 million in transfers to the Department of Health Care Policy and Financing primarily from the Hospital Provider Fee Cash Fund (\$573.6 million) and the Medicaid Nursing Facility Cash Fund (\$43.5 million).

Transfers from the Other Special Revenue to the General Purpose Revenue Fund also include approximately \$82.6 million of legislatively mandated transfers to fund programs in agencies that operate primarily in the General Purpose Revenue Fund that are in addition to appropriated indirect cost transfers.

The State Lands Trust Expendable transfer-out to the General Fund includes \$117.4 million for the State Public School Fund (a Special Purpose General Fund) related to distributions to school districts and charter schools.

The State Lands Trust Expendable transfer-out of \$38.2 million went to the State Lands Trust Nonexpendable.

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**NOTE 35 – UNUSUAL OR INFREQUENT TRANSACTIONS**

There are no unusual or infrequent transactions.

**NOTE 36 – DONOR RESTRICTED ENDOWMENTS**

The State’s donor restricted endowments exist solely in Higher Education Institutions. The policies of individual boards govern the spending of net appreciation on investments; there is no State law that governs endowment spending. Donor Restricted endowments totaled \$10.4 million. The individually significant items are as follows:

The University of Colorado reported net appreciation on endowment investments of \$8.4 million that was available for spending. The university reported the related net position in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Position – Proprietary Funds*. The amount of earnings and net appreciation that is available for spending is based on a spending rate set annually by the Regents of the University of Colorado. In general, only realized gains can be expended; however, unrealized gains on certain endowment funds may also be expended.

Colorado State University reported \$1.34 million of net appreciation on its donor-restricted endowments held by its foundation and the full amount was available for spending. The university reported a portion of the related net position in Restricted for Permanent Funds and Endowments – Nonexpendable and a portion of the related net position in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Position – Proprietary Funds*. The payout policy of the Colorado State University Foundation governs expenditure of these funds. The policy assumes a 10 percent return on investment, a 4 to 5 percent pay out, a management fee of 1 to 2 percent, and a return to principal sufficient to preserve the purchasing power of the endowment.

**NOTE 37 – PLEDGED REVENUE**

Various institutions of higher education and the Highway Users Tax Fund have issued bonds, notes, and/or Certificates of Participation (COPs) for the purchase of equipment, and the construction of facilities and infrastructure. Specific user revenues are pledged for the payments of interest and future retirement of the obligations. In Fiscal Year 2011-12, the following pledges were in place:

The Department of Transportation pledged \$166.7 million of federal grants under agreement with the Federal Highway Administration and certain motor vehicle fees and taxes of the Highway Users Tax Fund to meet the debt service commitment on the agency’s Tax Revenue Anticipation Notes. The debt was originally issued in Fiscal Year 1999-00 to finance the reconstruction of a portion of a major interstate highway through Denver and other infrastructure projects across the State, and it has a final maturity date of Fiscal Year 2016-17. The pledged revenue represents approximately 15.1 percent of the total revenue stream, and \$800.2 million of the pledge commitment remains outstanding.

The Department of Transportation Statewide Bridge Enterprise pledged \$106.3 million of federal highway funds, Build America Bonds, and surcharges to meet the current year interest payments on debt issued for construction activities related to the Funding Advancement for Surface Transportation and Economic Recovery (FASTER) Bridge Program. The debt was originally issued in Fiscal Year 2010-11, and has a final maturity date of Fiscal Year 2040-41. The pledged revenue represents 100 percent of the revenue stream, and \$698.1 million of the pledge commitment remains outstanding.

The Department of Labor and Employment pledged \$134.6 million of Unemployment Insurance (UI) collections to secure \$134.6 of Fiscal Year 2012-13 principal and interest on debt issued to stabilize unemployment insurance rates. The debt was originally issued in Fiscal Year 2011-12, and has a final maturity date of Fiscal Year 2016-17. The pledged revenue represents 100 percent of the revenue stream, and \$657.1 million of the pledge commitment (principal and interest) remains outstanding.

Higher Education Institutions have pledged auxiliary fees primarily related to student housing rent, and in some cases tuition, to meet the debt service commitment of their various bond issues. The debt issues involved had an earliest origination date in Fiscal Year 1995-96 and furthest maturity date of Fiscal Year 2044-45. In some instances the gross revenue of the activity is pledged and in other instances the net available revenue is pledged. Total pledged revenue of the Higher Education Institutions is approximately \$679.2 million. Individually significant Higher Education Institution pledges include:

- \$295.3 million pledged by the University of Colorado to secure \$95.7 million of current principal

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and interest on debt issued to finance the construction of enterprise facilities and to refund prior enterprise debt. The related debt was originally issued in Fiscal Year 1995-96 and has a final maturity date of Fiscal Year 2042-43. The pledged revenue represents approximately 52.2 percent of the revenue stream, and \$2.04 billion of the pledge (principal and interest) remains outstanding.

- \$192.9 million pledged by Colorado State University to secure \$28.2 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain recreation, research, athletic, and academic facilities. The related debt was originally issued in Fiscal Year 2002-03 and has a final maturity date of Fiscal Year 2043-44. The pledged revenue represents 100 percent of the total revenue stream, and \$1.0 billion of the pledge (principal and interest) remains outstanding.
- \$40.3 million pledged by the Colorado School of Mines to secure \$12.1 million of current principal and interest on debt issued to finance refunding of previous debt and for capital improvements. The related debt was originally issued in Fiscal Year 2012-13 and has a final maturity date of Fiscal Year 2041-42. The pledged revenue represents approximately 85.1 percent of the total revenue stream, and \$324.8 million of the pledge (principal and interest) remains outstanding.
- \$27.3 million pledged by Metropolitan State College of Denver to secure \$5.1 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain academic facilities. The related debt was originally issued in Fiscal Year 2009-10 and has a final maturity date of Fiscal Year 2040-41. The pledged revenue represents 100 percent of the total revenue stream, and \$126.2 million of the pledge (principal and interest) remains outstanding.
- \$18.0 million pledged by Colorado Mesa University to secure \$7.6 million of current principal and interest on debt issued to construct auxiliary facilities. The related debt was originally issued in Fiscal Year

2006-07 and has a final maturity date of Fiscal Year 2041-42. The pledged revenue represents approximately 53.9 percent of the revenue stream, and \$305.2 million of the pledge (principal and interest) remains outstanding.

- \$15.5 million pledged by the Auraria Higher Education Center to secure \$7.0 million of current principal and interest on debt issued to renovate the Student Union and to build parking structures. The related debt was originally issued in Fiscal Year 2002-03 and has a final maturity date of Fiscal Year 2028-29. The pledged revenue represents 100 percent of the total revenue stream, and \$83.7 million of the pledge (principal and interest) remains outstanding.
- \$30.8 million pledged by the University of Northern Colorado to secure \$9.5 million of current principal and interest on debt issued to finance refunding of previous debt and for improvements of auxiliary facilities. The related debt was originally issued in Fiscal Year 2004-05 and has a final maturity date of Fiscal Year 2039-40. The pledged revenue represents 37.2 percent of the total auxiliary and student fee revenue streams and also represents 10.0 percent of gross tuition revenues. \$249.1 million of the pledge (principal and interest) remains outstanding.
- \$8.8 million pledged by Colorado State University – Pueblo to secure \$3.9 million of current principal and interest on debt issued to finance construction, remodeling, and acquisition of the Student Center, recreation facilities and student housing facilities. The related debt was originally issued in Fiscal Year 2003-04 and has a final maturity date of Fiscal Year 2041-42. The pledged revenue represents 47.1 percent of the revenue stream, and \$131.1 million of the pledge (principal and interest) remains outstanding.

Revenue available to meet debt service requirements is shown in the following table

(Amounts In Thousands)

Agency Name	Gross Revenue	Direct Operating Expense	Available Net Revenue	Debt Service Requirements		
				Principal	Interest	Total
Department of Transportation	\$ 1,105,452	\$ (938,787)	\$ 166,665	\$ 125,265	\$ 41,400	\$ 166,665
Higher Education Institutions	1,093,300	(507,761)	585,540	69,992	114,914	184,906
Labor - Unemployment Insurance	134,564	-	134,564	-	-	-
Statewide Bridge Enterprise	106,258	-	106,258	-	18,234	18,234
	<b>\$ 2,439,574</b>	<b>\$ (1,446,548)</b>	<b>\$ 993,027</b>	<b>\$ 195,257</b>	<b>\$ 174,548</b>	<b>\$ 369,805</b>

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**NOTE 38 – SEGMENT INFORMATION**

Segments are identifiable activities reported as or within an Enterprise Fund for which bonds or other debt is outstanding and a revenue stream has been pledged in support of that debt. In addition, to qualify as a segment, an activity must be subject to an external requirement to separately account for the revenues, expenses, gains and losses, assets, and liabilities of the activity. All of the activities reported in the following condensed financial information meet these requirements. The purpose of each of the State's segments aligns with the primary mission of the enterprise in which it is reported; therefore, none of the State's segments are separately reported on the government-wide *Statement of Activities*. The following paragraphs describe the State's segments.

University Physicians Incorporated (UPI) is a not-for-profit entity that performs the billing, collection, and disbursement function for professional services provided by the University of Colorado Denver. UPI is also a component unit of the State that is blended into the Higher Education Institutions Fund. In addition, UPI provides its services under contracts with the University of Colorado Hospital Authority (UCHA), a discretely presented component unit of the State.

The Auraria Higher Education Center's parking segment charges students, faculty, and staff fees for the use of parking lots and structures. The center's student facilities segment charges fees to students for use of its facilities. This segment is part of the Higher Education Institutions Enterprise.

The following page presents condensed financial information for the State's segments.

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**CONDENSED STATEMENT OF NET POSITION  
JUNE 30, 2012**

(DOLLARS IN THOUSANDS)	UNIVERSITY	AURARIA HIGHER	
	OF COLORADO	PARKING	STUDENT
	UNIVERSITY	FACILITIES	FACILITIES
	PHYSICIANS		
	INCORPORATED		
<b>ASSETS:</b>			
Current Assets	\$ 137,622	\$ 9,236	\$ 9,260
Other Assets	96,809	5,068	326
Capital Assets	43,113	33,434	28,910
<b>Total Assets</b>	<b>277,544</b>	<b>47,738</b>	<b>38,496</b>
<b>LIABILITIES:</b>			
Current Liabilities	34,673	2,307	4,446
Noncurrent Liabilities	16,451	29,061	26,257
<b>Total Liabilities</b>	<b>51,124</b>	<b>31,368</b>	<b>30,703</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	25,756	2,952	1,450
Restricted Net Position	-	4,459	152
Unrestricted	200,664	8,959	6,191
<b>Total Net Position</b>	<b>\$ 226,420</b>	<b>\$ 16,370</b>	<b>\$ 7,793</b>

**CONDENSED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>OPERATING REVENUES:</b>			
Tuition and Fees	\$ -	\$ -	\$ 5,957
Sales of Goods and Services	470,568	9,513	21,433
Other	-	-	53
<b>Total Operating Revenues</b>	<b>470,568</b>	<b>9,513</b>	<b>27,443</b>
<b>OPERATING EXPENSES:</b>			
Depreciation	3,145	1,667	2,016
Other	447,523	7,141	22,589
<b>Total Operating Expenses</b>	<b>450,668</b>	<b>8,808</b>	<b>24,605</b>
<b>OPERATING INCOME (LOSS)</b>	<b>19,900</b>	<b>705</b>	<b>2,838</b>
<b>NONOPERATING REVENUES AND (EXPENSES):</b>			
Investment Income	5,042	265	36
Other Nonoperating Revenues	83	-	-
Debt Service	(57)	(1,620)	(1,313)
Other Nonoperating Expenses	(8,679)	(425)	-
<b>Total Nonoperating Revenues(Expenses)</b>	<b>(3,611)</b>	<b>(1,780)</b>	<b>(1,277)</b>
<b>CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:</b>			
Transfers-In	-	-	(2,980)
<b>Total Contributions, Transfers, and Other</b>	<b>-</b>	<b>-</b>	<b>(2,980)</b>
<b>CHANGE IN NET POSITION</b>	<b>16,289</b>	<b>(1,075)</b>	<b>(1,419)</b>
<b>TOTAL NET POSITION - FISCAL YEAR BEGINNING (Restated)</b>	<b>210,131</b>	<b>17,445</b>	<b>9,212</b>
<b>TOTAL NET POSITION - FISCAL YEAR ENDING</b>	<b>\$ 226,420</b>	<b>\$ 16,370</b>	<b>\$ 7,793</b>

**CONDENSED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>NET CASH PROVIDED (USED) BY:</b>			
Operating Activities	\$ 18,315	\$ 2,059	\$ 4,798
Noncapital Financing Activities	(8,679)	-	(2,979)
Capital and Related Financing Activities	(2,060)	(4,468)	(3,114)
Investing Activities	(29,127)	2,353	38
<b>NET INCREASE (DECR.) IN CASH AND POOLED CASH</b>	<b>(21,551)</b>	<b>(56)</b>	<b>(1,257)</b>
<b>CASH AND POOLED CASH, FISCAL YEAR BEGINNING</b>	<b>66,440</b>	<b>8,879</b>	<b>7,274</b>
<b>CASH AND POOLED CASH, FISCAL YEAR ENDING</b>	<b>\$ 44,889</b>	<b>\$ 8,823</b>	<b>\$ 6,017</b>

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**NOTE 39 – COMPONENT UNITS**

The State reports nine component units under the requirements of Governmental Accounting Standards Board (GASB) Statements No. 14 – The Financial Reporting Entity, Statement No. 39 – Determining Whether Certain Organizations Are Component Units, and Statement No. 61 – The Financial Reporting Entity: Omnibus-an amendment to GASB Statements No. 14 and No. 34. The State’s component units are separated into major, and nonmajor below. Financial statements for the major component units are presented in the Basic Financial Statements and for the nonmajor component units in the Supplementary Section of the Comprehensive Annual Financial Report.

**A. MAJOR COMPONENT UNITS**

University Hospital is a nonsectarian, general acute care regional hospital, licensed for 407 beds with five outpatient primary care clinics, and six specialty care clinics operated by the University of Colorado Hospital Authority (UCHA). It includes the Anschutz Centers for Advanced Medicine, and is the teaching hospital of the University of Colorado Denver (UCD), a State institution of higher education. The hospital’s mission is to advance healthcare for patients and their families through healing, discovery, and education. UCHA is exempt from federal income tax under Internal Revenue Code Section 115 (as a governmental entity) and under Section 501(c)(3) as a not-for-profit entity.

The Colorado Water Resources and Power Development Authority’s purpose is to initiate, acquire, construct, maintain, repair, and operate, or cause to be operated, projects for the protection, preservation, conservation, upgrading, development, and utilization of the water resources of the State. The authority is authorized to issue bonds, notes, or other obligations which constitute its debt and not the debt of the State of Colorado. The authority’s primary revenue sources are income from invested bond proceeds, interest on loans made to local governments from bond proceeds, administrative charges on the loans, and EPA grants. The authority paid the State \$7.4 million during 2011 for services provided by two State departments.

The University of Colorado Foundation was incorporated in 1967 and is authorized by the Board of Regents of the University of Colorado to solicit, receive, hold, invest, and transfer funds for the benefit of the University of Colorado. The foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Service Code and is exempt from income tax on related income. In Fiscal Year 2010-11, it received \$5.1 million of fund raising fee revenue from the University of Colorado under an annually renewable Agreement for Development Services.

For the fiscal year ended June 30, 2011, the foundation distributed \$98.4 million of gifts and income to or for the benefit of the University of Colorado.

The Colorado State University Foundation is a not-for-profit tax-exempt organization, as described in Section 501(c)(3) of the Internal Revenue Service Code, and was incorporated in 1970 to assist in the promotion, development, and enhancement of the facilities and educational programs and opportunities of the faculty, students, and alumni of Colorado State University. This is accomplished through receiving, managing, and investing gifts. Principal or income from these gifts and contributions is used for charitable, scientific, literary, or educational purposes, which will directly or indirectly aid and benefit Colorado State University. During Fiscal Year 2010-11, the foundation transferred \$23.8 million to the University.

The Colorado School of Mines Foundation is a not-for-profit tax-exempt corporation providing financial resource development and support to the Colorado School of Mines. The majority of the foundation’s revenue is derived from contributions and investment income.

**B. NONMAJOR COMPONENT UNITS**

The Denver Metropolitan Major League Baseball Stadium District currently includes all or part of the seven counties in the Denver metro area. The district was created for the purpose of acquiring, constructing, and operating a major league baseball stadium. To accomplish this purpose, the General Assembly authorized the district to levy a sales tax of one-tenth of one percent throughout the district for a period not to exceed 20 years. However, the district discontinued the sales tax levy on January 1, 2001, after it defeased all outstanding debt.

CoverColorado is a not-for-profit public entity created to provide access to health insurance for those Colorado residents who are unable to obtain health insurance, or are unable to obtain health insurance except at prohibitive rates or with restrictive exclusions. Legislation enacted in 2001 authorized the CoverColorado board of directors to assess a special fee against insurers for the financial solvency of the program. In March 2010 with the passage of the Patient Protection and Affordable Care Act, the need for high risk insurance pools such as CoverColorado will be eliminated. CoverColorado will likely only exist through early 2014.

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The Venture Capital Authority (VCA) was established in the 2004 legislative session as a means to create new business opportunities in the State and stimulate economic growth by making seed and early-stage venture capital funds available to small businesses throughout Colorado. The legislation allocated the authority \$50.0 million of insurance-premium tax credits, which it subsequently sold to insurance companies. The VCA deferred the revenue related to sale and recognizes it as the insurance companies apply the credits over a ten-year period. The related revenue is reported as Gifts and Donations on the *Statement of Revenues, Expenses, and Changes in Net Assets - Component Units* to reflect the contribution of capital by the State.

In 2005, the authority created Colorado Fund I, LP with a portion of the proceeds from the sale of premium tax credits. The VCA has committed to providing up to \$21.8 million to Colorado Fund I, LP thru June 2015 (unless otherwise terminated) for investment in businesses meeting criteria established by the authority, specifically including businesses in the life sciences, information technology, agritechology and medical device industries, and retail. As of December 31, 2010, the VCA has contributed approximately \$19.0 million or 87 percent of its total funding commitment to Colorado Fund I, LP.

In 2010 the authority created Colorado Fund II, LP and has committed to providing up to \$25.4 million over the term of the fund (through December 2019 unless otherwise terminated). As of December 31, 2010, the VCA has contributed approximately \$1.4 million or 5 percent of its total funding commitment to Colorado Fund II, LP.

In August 2010, the Board of Trustees of the Metropolitan State College of Denver established the HLC @ Metro, Inc. as a non-profit entity to provide for the financing, construction, operation, and management of the Hotel and Hospitality Learning Center at Metro State. The facility includes a fully functioning hotel and learning laboratory for the college’s Hospitality, Tourism, and Events department. The construction is being financed through \$54.9 million in bond issuances (see Note 24), with 75 percent of the debt service estimated to be covered by hotel operations and the remainder from fundraising, further supported by the college’s unconditional guarantee. The hotel is expected to open in August 2012.

**NOTE 40 – RELATED PARTIES AND ORGANIZATIONS**

The Colorado State University - Pueblo Foundation was established to benefit Colorado State University - Pueblo. The foundation transferred \$1.4 million to the university during Fiscal Year 2011-12 and owed the university \$1.4 million at June 30, 2012.

The Adams State College Foundation provides scholarships and work-study grants to students, provides funding for athletics and administration, as well as providing program development grants to Adams State College. The foundation provided \$1.0 million in scholarships and grants during Fiscal Year 2011-12.

The Colorado Mesa University Foundation provides financial assistance to Colorado Mesa University students and assists the university in serving educational needs. In Fiscal Year 2011-12, the foundation awarded \$573,001 of scholarships directly to Colorado Mesa University students and provided approximately \$4.0 million in property.

Metropolitan State College of Denver Foundation, Inc. was organized and is operated to promote the general welfare of Metropolitan State College of Denver. The foundation provided \$2.3 million of funding to the college in Fiscal Year 2011-12. The foundation also reimbursed the college \$210,643 for services provided by college employees in Fiscal Year 2011-12. At June 30, 2012, the foundation owed the college \$272,395. As of this date, the college also had payables to the foundation of \$15,246.

Western State College Foundation was established to aid Western State College in fulfilling its educational mission. The foundation transferred \$6.2 million to the college in Fiscal Year 2011-12.

Most of the State’s community colleges have established foundations to assist in their educational missions. With the exception of Pueblo Community College, none of these foundations made annual transfers to their related community colleges in excess of \$500,000. The Pueblo Community College Foundation provided Pueblo Community College \$1.3 million in the form of scholarships, rental properties, construction funds and discretionary funds.

The University of Northern Colorado Foundation is a not-for-profit corporation established to promote the welfare, development and growth of the University of Northern Colorado. The University received approximately \$6.0 million in non-governmental grants and contract revenue from the foundation. At June 30, 2012 the Foundation owed \$1.2 million to the University.

The Fort Lewis College Foundation provides gifts, scholarships, and capital donations to Fort Lewis College. The foundation provided \$1.8 million in support during Fiscal Year 2011-12. At June 30, 2012, the foundation owed the college \$110,355.

The Great Outdoors Colorado Board (GOCO) is a constitutionally created entity whose purpose is to administer the GOCO Program and Trust Fund. The purpose of the program is to promote the wildlife and outdoor recreation resources of the State using funds it receives from the Colorado Lottery. During Fiscal Year 2011-12, the board funded \$23.7 million of wildlife and parks programs at the Department of Natural Resources. At June 30, 2012,

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GOCO owed the Department of Natural Resources \$8.5 million.

Colorado Housing Finance Authority (CHFA) is a related party to the State in three different activities as follows:

- The Colorado Housing Finance Authority Bond Program supports existing programs administered by CHFA that provide loans to small businesses, farms and ranches within the State of Colorado. CHFA operates these programs in coordination with the U.S. Small Business Administration, the Farm Service Agency, and the U.S. Rural Business Cooperative Service. The Department of Treasury holds five CHFA bonds purchased from 2003 through 2007 with a face value of \$8.6 million as of June 30, 2012, and a total original face value of \$24.2 million. The Department receives monthly payments from CHFA for all principal payments and interest collected by the Authority. On bond maturity dates ranging from 2023 through 2031, the Department of Treasury will receive any unpaid principal balance of the bonds, plus all accrued and unpaid interest.
- CHFA acts as the fiscal agent for the Governor's Energy Office State Energy Plan grant that provides loans as a conduit issuer in an exchange transaction for energy efficiency or renewable energy projects. CHFA retains an annual loan servicing fee of 0.05 percent on the outstanding principal balance of each loan. A total of \$17.2 million has been transferred to CHFA.
- Under CRS 8-77-103.5 CHFA is authorized "...to issue bonds and notes as are necessary to maintain adequate balances in the unemployment compensation fund or to repay moneys advanced to the State from the Federal Unemployment trust fund, or both." On June 28, 2012, as a conduit issuer in an exchange transaction, CHFA issued Colorado Unemployment Compensation Fund Special Revenue Bonds with a par value of \$624,805,000. Bond payments are funded by employers' unemployment insurance premiums.

**Component Units**

The University of Colorado Hospital Authority and the University of Colorado Denver (UCD) had previously developed and received approval for an Institutional Master Plan to create a new academic health sciences center on the Anschutz Medical Campus. An original ground lease, entered into in 1998 for a period of 30 years, provided for approximately 18.4 acres of property acquired by the University of Colorado Regents from the U.S. Department of Education pursuant to a quitclaim deed. Subsequent agreements between the parties have provided additional land to the hospital to continue the development of the Anschutz Medical Campus allowing

the hospital to expand its facilities with an office tower, parking garage, inpatient tower, and additional staff and patient parking. The hospital is planning to continue development with a second inpatient tower and parking garages on its current leased space to meet growing demand for inpatient services.

Under an Operating Agreement between the University of Colorado Regents and the University of Colorado Hospital Authority dated July 1, 1991, the Regents have entered into contracts with the hospital for the provision of services in support of programs and operations of the hospital. The hospital paid approximately \$32.9 million for these services in Fiscal Year 2010-11. Other contracts with the Regents for services that include clinic services, research projects, infrastructure expense, and other items resulted in payments by the University of Colorado Denver (UCD) to the hospital of approximately \$2.4 million in Fiscal Year 2010-11. In total, the UCD paid the hospital \$10.4 million in Fiscal Year 2010-11.

The hospital has contracted with University Physicians, Inc., a blended component unit of the State's Higher Education Institutions Fund to provide support for faculty administrative services and recruitment support. The hospital passed through \$5.0 million of government external funds and paid UPI an additional \$51.0 million for services in Fiscal Year 2010-11.

The hospital leases certain employees to the Adult Clinical Research Center (CRC), a related party, at full cost and provides overhead and ancillary services for CRC patients. Charges of approximately \$4.5 million were billed to CRC for the cost of these services during Fiscal Year 2010-11. The amount due from University of Colorado Denver, including CRC, was \$0.4 million at June 30, 2011.

The hospital entered certain provider and network management agreements with TriWest. TriWest was formed to deliver health care services to eligible beneficiaries of TriCare, formerly known as CHAMPUS – the Civilian Health and Medical Program of the Uniformed Services. On June 27, 1996, the U.S. Department of Defense awarded TriWest the TriCare contract for a five-year period that began April 1997. The contract was renewed and includes a transition period plus five one-year option periods for healthcare delivery beginning April 1, 2010. As part of the agreements, the hospital originally purchased a minority interest in TriWest for approximately \$3.3 million. It subsequently sold 1,656.55 shares in October 2007 to TriWest for approximately \$18.1 million. The investment in TriWest is accounted for under the cost method. The hospital received dividends of approximately \$0.6 million in July 2011.

In July 2010, the hospital entered into an agreement with University Physicians, Inc. (UPI) and the University of Colorado Denver (UCD) to begin a self-insurance trust

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called Colorado Health and Welfare Trust. (Voluntary Employee Benefits Association Trust). The trust is managed by a third-party administrator to provide healthcare coverage for employees of UPI, UCD and University of Colorado Hospital and their dependents. In Fiscal Year 2010-11 the hospital paid premiums of \$22.0 million and on June 30, 2011 recorded a liability of \$2.3 million for its share of costs in excess of premiums paid.

The hospital and two other entities participate in Colorado Access, a Colorado not-for-profit corporation that owns and operates a statewide HMO to provide services to medically underserved Coloradans. There are no earning distribution agreements between Colorado Access and the hospital. In August 2001 the hospital entered into an agreement to loan Colorado Access \$625,000. The principal and interest were originally due on or before August 24, 2004, but the hospital wrote down all of the accrued interest and \$600,000 of the principal in 2006 due to uncertainty of repayment. Colorado Access is unable to specify a repayment timeline due to ongoing negotiations with the Colorado Division of Insurance regarding required levels of risk-based capital.

The Venture Capital Authority (VCA) has Limited Partnership Agreements with Colorado Fund I, LP and Colorado Fund II, LP, and has selected High Country Venture, LLC, to serve as manager and general partner of both funds. The partnership agreements allocate income or loss 20 percent to the general partner and 80 percent to the limited partners in accordance with their respective partnership percentages. As of December 31, 2010, VCA's investments in Colorado Fund I and Colorado Fund II totaled \$23.1 million and \$1.4 million, respectively.

**NOTE 41 – ENCUMBRANCES**

Most encumbrances are supported by annual appropriations and lapse at year-end. However, the Capital Projects Fund and the Highway Users Tax Fund include multi-year encumbrances of \$24.4 million and \$1,050.3 million, respectively, that are related to purchase orders and long-term contracts for the construction of major capital projects and infrastructure. In the General Fund (\$9.7 million), Resource Extraction Fund (\$0.7 million), Regular Capital Projects Fund (\$1.6 million), and in the Division of Parks and Wildlife Funds (\$9.3 million) encumbrances include approved rollforwards of annual appropriations for goods and services that were not received before June 30 due to extenuating circumstances, annual appropriations with express legislative intent to rollforward, and earned augmenting revenue for specific non-legislatively directed purposes going beyond the fiscal year end, such as insurance proceeds.

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**NOTE 42 – CONTINGENCIES**

**Primary Government**

The Colorado Governmental Immunity Act (CGIA) sets upper limits on State liability at \$150,000 per individual and \$600,000 for two or more persons in a single occurrence. Effective January 1, 2012, the Act was amended to waive the State's sovereign immunity for legal proceedings in which the State has been determined to be negligent in conducting prescribed fires. Judgments in excess of these amounts may be rendered, but the claimant must petition the General Assembly for an appropriation to pay any amount greater than the immunity limits. Judgments awarded against the State for which there is no insurance coverage or that are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid.

Numerous court cases are pending in which the plaintiffs allege that the State has deprived persons of their constitutional rights, civil rights, inadequately compensated them for their property, engaged in regulatory misfeasance, or breached contracts. In the aggregate, the monetary damages (actual, punitive, and attorney's fees) claimed in the constitutional and civil rights cases would exceed the insurance coverage available by a material amount. One such claim exceeds \$122 million. The property compensation and breach of contract suits are generally limited to the appraised value of the property or the contract amount. In the breach of contract suits, the State often files counterclaims. While it is reasonably possible that awards of judgment could occur, it is unlikely that those awards would have a material adverse effect on the State's financial condition.

The State is the defendant in numerous lawsuits involving claims of inadequate, negligent, or unconstitutional treatment of prisoners, mental health patients, nursing home patients, or the developmentally disabled. In some of these suits, plaintiffs are seeking or have obtained certification as a class for a class action suit. Most of these cases seek actual damages that are not material but include requests for punitive damages that may be material. There is also the potential that the courts may rule that the current conditions of confinement, Medicaid coverage, or residential services are unconstitutional, which could result in significant future construction, medical, or residential services costs that are not subject to reasonable estimation.

The State is the defendant in lawsuits by employees accusing the State of various infractions of law or contract. These may include claims related to age and sex discrimination, sexual harassment, wrongful termination, contractual agreements for paying salaries based on parity and equity, and overtime compensation under the Federal

Fair Labor Standards Act. The State does not believe that any of these cases are material to its financial operations.

In the event of adverse loss experience, which is defined as a default rate in excess of 9 percent, College Assist could be liable for up to 25 percent, or \$2.6 billion, of the \$10.5 billion outstanding balance of loans in repayment status. However, the probability of a material loss is remote, and the State's liability is capped at the net position of the College Assist program of \$59.8 million.

At June 30, 2012, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately \$359.4 million in the names of lottery or lotto prizewinners. The probability is remote that any of the sellers of these contracts will default, and thereby require the State to pay the annuity.

The Colorado Department of Revenue routinely has claims for refunds in various stages of administrative and legal review that could result in refunds up to \$20.0 million individually. In addition, there a large number of conservation easement tax credit denial cases pending at the Department. Per legislation passed in 2011, the taxpayers involved must elect to proceed with administrative or district court resolution of their refund claims. Including potential penalties and interest, claims currently referred to the Attorney General total an estimated \$30 million and the total amount at issue is estimated at \$222.8 million. These amounts represent both unpaid income taxes and claims for income tax refunds.

Various notes and bonds have been issued by State school districts that may impact the State. Colorado statutes provide that if a district indicates it will not make a required payment to bondholders by the date on which it is due, the State Treasurer shall forward to the paying agent the amount necessary to make the payment. The State shall then withhold State property-tax-equalization payments to the defaulting school district for a period up to 12 months to cover the State's loss. Currently, notes or bonds valued at approximately \$7.59 billion are outstanding. Of this amount, \$3.43 billion is covered by private insurance.

The State of Kansas will likely seek injunctive relief against Colorado in a potential suit against Colorado and Nebraska claiming violations of the Republican River Compact. Although the State anticipates reaching a resolution with the State of Kansas prior to any suit being filed, the estimated potential damages range from \$1.0 million to \$10.0 million. The State has recorded a liability for the minimum amount of the potential damages range.

Many State agencies have grant and contract agreements with the federal government and other parties. These agreements generally provide for audits of the transactions pertaining to the agreements, with the State being

liable to those parties for any disallowed expenditure. Individually significant disallowances are disclosed in the following paragraph.

The Department of Health Care Policy and Financing may be responsible for repaying Centers for Medicare and Medicaid Services (CMS) approximately \$75.3 million in federal matching funds paid to Rocky Mountain Health Plan HMO (RMHP) for benefits paid to Medicaid clients during Fiscal Years 2008-09 through 2010-11. The payments were made to RMHP without the federally required claims review prior to payment. The State has established a process that has been accepted by CMS to accomplish a review of the claims in question. If the historical review is not completed, CMS has stated that potential disallowance of these payments may occur. The department has worked with CMS towards a resolution and assesses the probability of disallowance at 25 percent.

School districts, students, and parents have filed suit against the State asserting that the current school funding system fails to provide a thorough and uniform system of free public education as required by the State Constitution. The plaintiffs seek to overturn the current funding system and ensure that additional funding of approximately \$1.35 billion to \$4.15 billion for operations funding and \$5.7 billion to \$17.9 billion for capital facility funding is provided. All claims were dismissed by the District Court and the Colorado Court of Appeals. After the Colorado Court of Appeals decision, both the plaintiffs and the State petitioned the Colorado Supreme Court. The Supreme Court reversed the lower courts' ruling and remanded the case to the District Court for trial, which concluded on September 2, 2011. On December 9, 2011 the District Court ruled in favor of the plaintiffs and held the State's school finance system is unconstitutional because it is inadequate and not rationally related to the constitutional mandate of a thorough and uniform system of free public education. The District Court stayed enforcement of its order until final order from the Colorado Supreme Court or conclusion of the 2012 legislative session in the event the order is not appealed. The State has appealed the District Court's ruling. The District Court's decision did not specify an immediate or long-term remedy, and the certainty, timing, and extent of fiscal impact on the State cannot be determined at this time.

The Department of Human Services has been sued by a behavioral health clinic seeking damages of \$25.0 million plus additional legal costs. The plaintiff claims the department's licensing actions adversely affected their ability to operate their business. The licensing actions were overturned by an administrative law judge. The department is vigorously contesting the claims, and the State is unable to estimate the likelihood of an adverse outcome.

Five insurance companies have filed suit against the State of Colorado for recovery of claims amounts paid or to be paid relating to damage from the Lower North Fork wildfire. The wildfire ignited during a high-wind event

four days after a prescribed fire was conducted in the area by the Colorado State Forest Service to reduce wildfire danger. In response to the wildfire, the General Assembly passed House Bill 12-1361 retroactively waiving the State's sovereign immunity for negligence claims relating to prescribed fires. The plaintiffs also bring claims for inverse condemnation and takings. A motion to stay was granted through October 8, 2012, to allow for additional potential claimants to be identified and joined in the action. The State does not contest liability for negligence claims brought pursuant to new provisions of CGIA; however, the State is vigorously defending against claims of inverse condemnation or on takings theories. Estimates of potential liability range from \$600,000 to more than \$11 million. A reserve of \$600,000 has been established in the Risk Management Fund (a Special Purpose Fund within the General Fund) and identification of all claims is in process.

The TABOR Foundation, a not-for-profit entity that is not part of State government, has filed suit against the Colorado Bridge Enterprise alleging that the bridge safety surcharge is a tax, not a fee; therefore, requiring a vote of the people. The foundation also alleges that \$300 million in bonds issued were unconstitutional because more than ten percent of the enterprise's revenue in 2010 was from State grants. The plaintiff is seeking an order declaring the surcharges and bonds unconstitutional. Approximately \$200 million has been collected in surcharges, in addition to the \$300 million bond issuance. The Colorado Bridge Enterprise is vigorously defending claims, and the State is unable to estimate the likelihood of an adverse outcome.

The State believes it has a reasonable possibility of favorable outcomes for the actions discussed in this Note 42, but the ultimate outcome cannot presently be determined. Except as otherwise noted, no provision for a liability has been made in the financial statements related to the contingencies discussed in this note.

**NOTE 43 – SUBSEQUENT EVENTS**

**Primary Government**

**A. DEBT ISSUANCES AND REFUNDINGS**

On July 11, 2012, the State Treasurer issued \$125,000,000 of Education Loan Program Tax and Revenue Anticipation Notes (ETRANS), Series 2012B. The Notes mature on June 27, 2013, and the proceeds are used to make interest-free loans to certain Colorado school districts to alleviate temporary cash flow deficits at the districts. The total due at the maturity date includes \$125,000,000 million of principal and \$2,402,778 of interest. The ETRANS were issued with a premium of \$2,182,500 resulting in net interest cost of \$244,028 or 0.203 percent. By Colorado

statute, interest on the Notes is payable from the State's General Fund.

On July 17, 2012, the State Treasurer issued \$500,000,000 of General Fund Tax and Revenue Anticipation Notes (GTRANS), Series 2012A. The Notes mature on June 27, 2013, and the proceeds are used to fund temporary cash flow deficits in the State's General Fund. The total due at the maturity date includes \$500,000,000 million of principal and \$11,191,667 of interest. The GTRANS were issued with a premium of \$10,321,400 resulting in net interest cost of \$881,367 or 0.187 percent.

On July 19, 2012, the Board of Regents of the University of Colorado issued \$53,000,000 of refunding revenue bonds, Series 2012A-2. The proceeds refund and redeem \$7,440,000 of the Enterprise System Revenue Bonds, Series 2004, \$44,630,000 of the University Enterprise Refunding and Improvement Revenue Bonds, Series 2005A, and \$1,740,000 of the University Enterprise System Revenue Bonds, Series 2005B. The proceeds also cover certain costs related to the financing the Series 2012A-2. The bonds carry an interest rate of 3.55 percent and mature in 2032.

**B. OTHER**

On April 8, 2011, the University of Colorado's Board of Regents approved the sale of the former Ninth Avenue campus in Denver. As of June 30, 2012, a purchase settlement agreement remained in progress. The sale of the property is conditioned on the buyer receiving approval from the City of Denver for Tax Increment Financing (TIF) in an amount of at least \$18,600,000. If TIF financing is not approved by October 31, 2012, then the buyer may terminate the agreement and deposits of \$625,000 shall be returned to the Buyer. Under the terms of the agreement the buyer began making \$60,000 per month Delay Fee payments in March 2012. If the Buyer should terminate the agreement for any reason, including the failure to obtain TIF approval from the City of Denver, the University will retain any Extension fees or Delay Fees paid to date. The buyer may purchase a portion of the campus as opposed to the entire campus, with a closing taking place as late as March 2013.

**Component Units**

Subsequent to Fiscal Year 2010-11, the University of Colorado Hospital Authority's board approved repayment of the Series 1997A bonds and issuing new bonds with a lower interest rate, but with similar terms. The board also approved refinancing the Series 1997A Bonds with a lower interest rate. The new bonds are expected to be issued in November 2011.

Subsequent to December 31, 2010, both the Colorado Funds I and II, L.P. made equity investments in eleven entities totaling \$5.3 million with approximately \$5.2 million of that amount representing the authority's share of the capital contribution.

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**REQUIRED SUPPLEMENTARY INFORMATION**

UNAUDITED

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGETARY BASIS  
BUDGET AND ACTUAL - GENERAL FUNDED  
FOR THE YEAR ENDED JUNE 30, 2012**

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
<b>REVENUES AND TRANSFERS-IN:</b>				
Sales and Other Excise Taxes			\$ 2,387,734	
Income Taxes			5,092,488	
Other Taxes			198,086	
Federal Grants and Contracts			27	
Sales and Services			351	
Interest Earnings			15,167	
Other Revenues			23,570	
Transfers-In			218,542	
<b>TOTAL REVENUES AND TRANSFERS-IN</b>			<b>7,935,965</b>	
<b>EXPENDITURES AND TRANSFERS-OUT:</b>				
<b>Operating Budgets:</b>				
<b>Departmental:</b>				
Agriculture	\$ 5,164	\$ 5,164	5,136	\$ 28
Corrections	634,934	648,975	648,196	779
Education	2,833,702	2,833,700	2,833,288	412
Governor	11,176	11,232	10,379	853
Health Care Policy and Financing	1,670,986	1,699,045	1,693,373	5,672
Higher Education	624,039	624,213	623,880	333
Human Services	618,496	619,446	607,858	11,588
Judicial Branch	340,244	338,456	336,700	1,756
Law	9,393	9,422	9,332	90
Legislative Branch	34,685	34,704	34,704	-
Local Affairs	10,478	10,474	10,448	26
Military and Veterans Affairs	5,422	5,420	5,364	56
Natural Resources	23,422	23,429	23,383	46
Personnel & Administration	5,080	4,119	3,959	160
Public Health and Environment	27,478	27,473	27,450	23
Public Safety	82,677	82,728	81,994	734
Regulatory Agencies	1,599	1,600	1,600	-
Revenue	167,783	167,782	173,848	(6,066)
Treasury	15,994	15,994	15,984	10
Transfers Not Appropriated by Department	59,000	59,000	59,000	-
<b>SUB-TOTAL OPERATING BUDGETS</b>	<b>7,181,752</b>	<b>7,222,376</b>	<b>7,205,876</b>	<b>16,500</b>
<b>Capital and Multi-Year Budgets:</b>				
<b>Departmental:</b>				
Agriculture	710	427	363	64
Corrections	20,798	23,984	20,274	3,710
Education	901	124	17	107
Governor	1,900	2,765	242	2,523
Higher Education	20,952	23,644	10,708	12,936
Human Services	2,767	3,088	1,380	1,708
Military and Veterans Affairs	2,949	8,390	3,561	4,829
Personnel & Administration	6,159	10,447	4,382	6,065
Public Health and Environment	-	75	73	2
Public Safety	-	22	21	1
Revenue	4,473	17,334	8,202	9,132
Transportation	500	500	500	-
Treasury	-	4,067	-	4,067
Budgets/Transfers Not Recorded by Department	50,425	50,425	50,425	-
<b>SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS</b>	<b>112,534</b>	<b>145,292</b>	<b>100,148</b>	<b>45,144</b>
<b>TOTAL EXPENDITURES AND TRANSFERS-OUT</b>	<b>\$ 7,294,286</b>	<b>\$ 7,367,668</b>	<b>7,306,024</b>	<b>\$ 61,644</b>
<b>EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT</b>			<b>\$ 629,941</b>	

The notes to the required supplementary information are an integral part of this schedule.

UNAUDITED

**SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES,  
AND CHANGES IN FUND BALANCES/NET POSITION - BUDGETARY BASIS  
BUDGET AND ACTUAL - CASH FUNDED  
FOR THE YEAR ENDED JUNE 30, 2012**

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
<b>REVENUES AND TRANSFERS-IN:</b>				
Sales and Other Excise Taxes			\$ 750,084	
Income Taxes			414,970	
Other Taxes			1,260,020	
Tuition and Fees			523,286	
Sales and Services			2,167,093	
Interest Earnings			224,980	
Medicaid Provider Revenues			3	
Other Revenues			2,673,971	
Transfers-In			6,181,215	
<b>TOTAL REVENUES AND TRANSFERS-IN</b>			<b>14,195,622</b>	
<b>EXPENDITURES/EXPENSES AND TRANSFERS-OUT:</b>				
<b>Operating Budgets:</b>				
<b>Departmental:</b>				
Agriculture	\$ 32,293	\$ 32,299	27,518	\$ 4,781
Corrections	107,270	105,324	93,646	11,678
Education	3,815,094	3,817,564	3,781,106	36,458
Governor	252,643	270,964	175,616	95,348
Health Care Policy and Financing	1,701,274	1,706,556	1,685,804	20,752
Higher Education	1,505,174	1,515,494	1,323,731	191,763
Human Services	717,875	313,433	287,380	26,053
Judicial Branch	252,759	245,618	197,820	47,798
Labor and Employment	892,404	902,229	739,331	162,898
Law	44,832	53,820	42,725	11,095
Legislative Branch	6,795	6,795	2,657	4,138
Local Affairs	416,256	416,255	229,182	187,073
Military and Veterans Affairs	6,703	6,349	4,073	2,276
Natural Resources	773,646	749,610	401,083	348,527
Personnel & Administration	466,533	468,548	450,954	17,594
Public Health and Environment	182,972	216,785	180,183	36,602
Public Safety	154,635	156,118	144,252	11,866
Regulatory Agencies	77,423	77,631	71,174	6,457
Revenue	917,156	917,655	787,229	130,426
State	19,053	22,380	18,418	3,962
Transportation	3,057,692	3,066,277	925,280	2,140,997
Treasury	1,831,851	1,832,125	1,775,846	56,279
Budgets/Transfers Not Recorded by Department	-	2,400	-	2,400
<b>SUB-TOTAL OPERATING BUDGETS</b>	<b>17,232,333</b>	<b>16,902,229</b>	<b>13,345,008</b>	<b>3,557,221</b>
<b>Capital and Multi-Year Budgets:</b>				
<b>Departmental:</b>				
Agriculture	-	-	-	-
Corrections	3,994	6,312	4,215	2,097
Education	-	582	22	560
Governor	8,627	790	221	569
Higher Education	60,465	256,204	176,556	79,648
Human Services	1,142	4,604	1,893	2,711
Judicial Branch	159,756	176,980	134,549	42,431
Labor and Employment	38,000	40,496	35,081	5,415
Military and Veterans Affairs	-	4,186	1,498	2,688
Natural Resources	58,100	53,939	20,375	33,564
Personnel & Administration	4,967	8,460	4,574	3,886
Public Health and Environment	850	35,832	5,616	30,216
Public Safety	-	1,150	-	1,150
Revenue	2,263	3,348	1,714	1,634
Transportation	500	500	500	-
Treasury	22,652	12,447	8,825	3,622
Budgets/Transfers Not Recorded by Department	9,707	9,707	8,326	1,381
<b>SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS</b>	<b>371,023</b>	<b>615,537</b>	<b>405,115</b>	<b>210,422</b>
<b>TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT</b>	<b>\$ 17,603,356</b>	<b>\$ 17,517,766</b>	<b>13,750,123</b>	<b>\$ 3,767,643</b>
<b>EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT</b>			<b>\$ 445,499</b>	

The notes to the required supplementary information are an integral part of this schedule.

UNAUDITED

**SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES,  
AND CHANGES IN FUND BALANCES/NET POSITION - BUDGETARY BASIS  
BUDGET AND ACTUAL - FEDERALLY FUNDED  
FOR THE YEAR ENDED JUNE 30, 2012**

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
<b>REVENUES AND TRANSFERS-IN:</b>				
Federal Grants and Contracts			\$ 7,702,064	
<b>TOTAL REVENUES AND TRANSFERS-IN</b>			<b>7,702,064</b>	
<b>EXPENDITURES/EXPENSES AND TRANSFERS-OUT:</b>				
<b>Capital and Multi-Year Budgets:</b>				
<b>Departmental:</b>				
Agriculture	\$ 3,978	\$ 11,984	5,159	\$ 6,825
Corrections	4,887	8,589	7,387	1,202
Education	625,920	965,998	656,101	309,897
Governor	24,093	206,468	113,770	92,698
Health Care Policy and Financing	2,942,888	2,647,959	2,591,375	56,584
Higher Education	19,015	479,964	446,478	33,486
Human Services	688,579	1,713,398	1,519,011	194,387
Judicial Branch	10,482	19,275	13,426	5,849
Labor and Employment	98,535	1,358,842	1,030,874	327,968
Law	1,500	3,252	1,878	1,374
Local Affairs	117,319	168,660	87,614	81,046
Military and Veterans Affairs	221,116	40,185	23,891	16,294
Natural Resources	22,247	77,727	39,641	38,086
Personnel & Administration	-	4,180	53	4,127
Public Health and Environment	267,070	447,288	307,853	139,435
Public Safety	29,622	102,885	46,005	56,880
Regulatory Agencies	1,195	8,280	3,084	5,196
Revenue	724	7,706	2,114	5,592
State	-	1,480	122	1,358
Transportation	845,394	732,753	616,463	116,290
Treasury	-	178,623	178,623	-
<b>SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS</b>	<b>5,524,564</b>	<b>9,185,496</b>	<b>7,690,922</b>	<b>1,494,574</b>
<b>TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT</b>	<b>\$ 5,524,564</b>	<b>\$ 9,185,496</b>	<b>7,690,922</b>	<b>\$ 1,494,574</b>
<b>EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT</b>			<b>\$ 11,142</b>	

The notes to the required supplementary information are an integral part of this schedule.

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**RECONCILING SCHEDULE  
ALL BUDGET FUND TYPES  
TO ALL GAAP FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2012**

(DOLLARS IN THOUSANDS)

	GOVERNMENTAL FUND TYPES					OTHER GOVERNMENTAL FUNDS
	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS' TAX	CAPITAL PROJECTS	STATE EDUCATION	
<b>BUDGETARY BASIS:</b>						
Revenues and Transfers-In:						
General	\$ 7,878,929	\$ -	\$ -	\$ 57,036	\$ -	\$ -
Cash	4,821,683	399,630	1,882,467	151,871	481,516	2,507,645
Federal	5,265,126	174,564	615,172	32,317	-	204,488
Sub-Total Revenues and Transfers-In	<u>17,965,738</u>	<u>574,194</u>	<u>2,497,639</u>	<u>241,224</u>	<u>481,516</u>	<u>2,712,133</u>
Expenditures/Expenses and Transfers-Out						
General Funded	7,255,172	-	-	50,852	-	-
Cash Funded	4,813,771	360,471	1,965,416	325,103	652,125	2,243,514
Federally Funded	5,260,002	174,547	615,140	32,317	-	205,470
Expenditures/Expenses and Transfers-Out	<u>17,328,945</u>	<u>535,018</u>	<u>2,580,556</u>	<u>408,272</u>	<u>652,125</u>	<u>2,448,984</u>
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis	636,793	39,176	(82,917)	(167,048)	(170,609)	263,149
<b>BUDGETARY BASIS ADJUSTMENTS:</b>						
Increase/(Decrease) for Unrealized Gains/Losses	4,007	(140)	(1,451)	468	(924)	6,355
Increase for Budgeted Non-GAAP Expenditures	9,142	24,292	-	-	-	-
Increase/(Decrease) for GAAP Expenditures Not Budgeted	148,332	(23,927)	104,377	135,589	-	(39,739)
Increase/(Decrease) for GAAP Revenue Adjustments	(143,376)	(634)	(29)	(135,589)	-	(122,136)
Increase/(Decrease) for Non-Budgeted Funds	-	-	-	-	-	-
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis	<u>654,898</u>	<u>38,767</u>	<u>19,980</u>	<u>(166,580)</u>	<u>(171,533)</u>	<u>107,629</u>
<b>GAAP BASIS FUND BALANCES/NET ASSETS:</b>						
FUND BALANCE/NET ASSETS, FISCAL YEAR BEGINNING	602,847	868,500	1,203,013	219,332	365,801	1,582,479
Prior Period Adjustments (See Note 29)	(26,273)	(2,670)	-	-	485	6,690
FUND BALANCE/NET ASSETS, FISCAL YEAR END	<u>\$ 1,231,472</u>	<u>\$ 904,597</u>	<u>\$ 1,222,993</u>	<u>\$ 52,752</u>	<u>\$ 194,753</u>	<u>\$ 1,696,798</u>

The notes to the required supplementary information are an integral part of this schedule.

UNAUDITED

GENERAL FUND SURPLUS SCHEDULE

With the implementation of GASB Statement No. 54 the General Fund for GAAP purposes is not equivalent to the General Fund for budgetary purposes. The General Fund for GAAP purposes contains activities that are considered cash funds for budget purposes, and includes, State Public School, Risk Management Fund, and Other Special Purpose Funds that do not have a sufficient original-source revenue stream to qualify as special revenue funds. The General Purpose Revenue Fund balance represents \$687.7 million of the GAAP General Fund balance of \$1,231.5 million on the *Balance Sheet – Governmental Funds*.

The General Purpose Revenue Fund is the principal operating fund of the State. It is used to account for all governmental financial resources and transactions not legally required to be accounted for in another fund. The General Fund Surplus is a statutorily defined amount that varies from the fund balance reported in the General Purpose Revenue Fund by revenues and expenditures that have been deferred into the following year for the budgetary basis (see Note RSI-1A).

The schedule on the following page is presented to document compliance with the constitutional requirement for a positive General Fund Surplus on the budgetary basis. The schedule differs from the General Fund presentation in the *Statement of Revenues, Expenditures, and Changes in Fund Balances* and the *Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis – Budget-to-Actual – General Funded* by the specific purpose revenue funds discussed above and in several other ways as discussed below.

The total fund balance in the General Purpose Revenue Fund column on the *Combining Balance Sheet – General Funds* represents cumulative general-purpose and augmenting revenues in excess of expenditures. The total fund balance comprises several sub-classifications

indicating the relative enforceability of constrains on those resources in accordance with GAAP definitions. The sub-classifications include Nonspendable, Restricted, Committed, Assigned and Unassigned Fund Balances and do not represent availability for purposes of computing General Fund Surplus. As a result, the ending General Fund Surplus is reconciled to the General Purpose Revenue Fund fund balance on the *Combining Balance Sheet – General Fund Components*, rather than the Unassigned fund balance on the *Balance Sheet – General Funds* in the Basic Financial Statements.

General-purpose revenues are revenues that are not designated for specific purposes. The following schedule shows the current fiscal year general-purpose revenues and the expenditures, by department, funded from those general-purpose revenues. The excess augmenting revenues shown represent earned revenues that were greater than the related appropriation for specific cash-funded expenditures in the General Purpose Revenue Fund. These revenues in excess of the related expenditures become part of total fund balance. (See Note 8A beginning on page 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.

PROPRIETARY FUND TYPES							FIDUCIARY FUND TYPES	TOTAL PRIMARY GOVERNMENT
HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE	STATE LOTTERY	OTHER ENTERPRISE FUNDS	INTERNAL SERVICE				
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,935,965	
595,719	833,192	560,834	460,169	219,131	1,281,765	-	14,195,622	
15,384	922,611	-	472,153	250	-	-	7,702,065	
611,103	1,755,803	560,834	932,322	219,381	1,281,765	-	29,833,652	
-	-	-	-	-	-	-	7,306,024	
601,706	632,906	560,933	344,679	215,651	1,033,846	-	13,750,121	
15,384	922,611	-	465,199	250	-	-	7,690,920	
617,090	1,555,517	560,933	809,878	215,901	1,033,846	-	28,747,065	
(5,987)	200,286	(99)	122,444	3,480	247,919	-	1,086,587	
(99)	-	(149)	1,599	52	26,521	-	36,239	
-	-	133	25,606	762	-	-	59,935	
25,735	(17,945)	(1,079)	(19,325)	(2,795)	17	-	309,240	
-	-	-	(828)	(89)	-	-	(402,681)	
289,731	-	-	-	-	-	-	289,731	
309,380	182,341	(1,194)	129,496	1,410	274,457	-	1,379,051	
4,723,248	(117,908)	6,369	652,974	9,933	4,208,934	-	14,325,522	
(4,001)	-	-	258,571	-	-	-	232,002	
\$ 5,028,627	\$ 64,433	\$ 5,175	\$ 1,041,041	\$ 11,343	\$ 4,483,391	\$ -	\$ 15,937,375	

UNAUDITED

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**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN GENERAL FUND SURPLUS BUDGET AND ACTUAL - BUDGETARY BASIS FOR THE YEAR ENDED JUNE 30, 2012**

(DOLLARS IN THOUSANDS)	ORIGINAL ESTIMATE/ BUDGET	REVISED ESTIMATE/ BUDGET	ACTUAL	REVERSIONS OF GENERAL FUND APPROPRIATION	EXCESS AUGMENTING REVENUE EARNED
<b>REVENUES:</b>					
Sales and Use Tax	\$ 2,167,500	\$ 2,295,400	\$ 2,293,837		
Other Excise Taxes	89,000	94,000	93,897		
Individual Income Tax, net	4,272,600	4,559,800	4,633,356		
Corporate Income Tax, net	351,100	440,600	459,134		
Estate Tax	-	-	290		
Insurance Tax	207,300	194,000	197,202		
Parimutuel, Courts, and Other	20,100	24,000	25,232		
Investment Income	9,100	11,700	14,447		
Gaming	20,500	20,200	20,305		
<b>TOTAL GENERAL PURPOSE REVENUES</b>	<b>7,137,200</b>	<b>7,639,700</b>	<b>7,737,700</b>		
<b>ACTUAL BUDGET RECORDED AND EXPENDITURES:</b>					
Agriculture	5,164	5,164	5,136	\$ 28	\$ -
Corrections	642,804	648,950	648,171	779	8
Education	2,833,642	2,833,704	2,833,288	416	1,551
Governor	11,276	10,614	9,762	852	5,524
Health Care Policy and Financing	1,778,738	1,698,622	1,694,583	4,039	2,093
Higher Education	624,242	623,963	623,963	-	31
Human Services	618,764	619,908	611,841	8,067	4,420
Judicial Branch	345,504	338,456	336,700	1,756	134
Labor and Employment	-	-	-	-	57
Law	9,573	9,422	9,332	90	81
Legislative Branch	35,216	34,685	34,685	-	221
Local Affairs	10,450	10,473	10,448	25	325
Natural Resources	23,422	23,429	23,583	46	269
Personnel & Administration	5,240	4,118	3,979	139	385
Public Health and Environment	27,641	27,473	27,450	23	59
Public Safety	82,796	82,728	82,000	728	110
Regulatory Agencies	1,623	1,600	1,600	-	-
Revenue	157,583	159,781	165,844	(6,063)	129
State	-	-	-	-	49
Treasury	7,932	11,994	11,984	10	1
<b>TOTAL ACTUAL BUDGET AND EXPENDITURES</b>	<b>7,227,088</b>	<b>7,150,513</b>	<b>7,139,513</b>	<b>\$ 11,000</b>	<b>\$ 15,447</b>
Variance Between Actual and Estimated Budgets	(459,316)	(5,893)	-		
<b>TOTAL ESTIMATED BUDGET</b>	<b>6,767,772</b>	<b>7,144,620</b>	<b>7,139,513</b>		
<b>EXCESS GENERAL REVENUES OVER (UNDER)</b>					
GENERAL FUNDED EXPENDITURES	369,428	495,080	598,187		
EXCESS AUGMENTING REVENUES			15,447		
<b>TRANSFERS (Not Appropriated by Department):</b>					
Transfers-In From Various Cash Funds	132,700	159,300	141,231		
Transfer-Out For the Older Coloradans Act	(8,000)	(8,000)	(8,000)		
Transfer-Out to Capital Projects - General Fund	(49,300)	(49,300)	(48,798)		
Transfer-Out to Capital Projects - General Fund-Exempt Account	-	-	(500)		
Transfer to State Education Fund Per C.R.S. 24-75-201.1	-	(59,000)	(59,000)		
Transfer to Colorado Economic Development	-	-	(4,000)		
Fund Per CRS 24-75-221	-	-	-		
<b>TOTAL TRANSFERS</b>	<b>75,400</b>	<b>43,000</b>	<b>20,933</b>		
<b>EXCESS REVENUES AND TRANSFERS OVER(UNDER)</b>					
BUDGET BASIS EXPENDITURES	444,828	538,080	634,567		
<b>BEGINNING GENERAL FUND SURPLUS</b>	<b>(22,400)</b>	<b>-</b>	<b>-</b>		
Release of Prior Year Statutory Reserve (2.3%)	156,700	156,700	156,648		
Establish Current Year Statutory Reserve (4.0%)	(279,300)	(281,100)	(281,116)		
Release of Contractually Restricted Energy Performance Leases Budgeted Non-GAAP Expenditures	-	-	10,282		
GAAP Revenues/(Expenditures) Not Budgeted	-	-	9,142		
Contractually Restricted Energy Performance Leases	-	-	(3,842)		
Prior Period Adjustment (see Note 29)	-	-	(2,219)		
	-	-	(201)		
<b>ENDING GENERAL FUND SURPLUS</b>	<b>\$ 299,828</b>	<b>\$ 413,680</b>	<b>523,261</b>		
<b>ADJUSTMENTS TO BUDGETED REVENUE AND EXPENDITURES FOR GAAP FUND BALANCE:</b>					
GAAP Medicaid Expenditures Deferred to Fiscal Year 2012-13 for Budget			(138,192)		
GAAP Payroll Expenditures Deferred to Fiscal Year 2012-13 for Budget			(85,462)		
GAAP Information Technology Expenditures Deferred to Fiscal Year 2012-13 for Budget			(1,199)		
GAAP Revenues Related to Deferred Medicaid Payroll and Medicaid Program Expenditures			80,600		
<b>GAAP FUND BALANCE NOT AVAILABLE FOR GENERAL FUND SURPLUS:</b>					
Fair Value of Investments in Excess of Cost			15,598		
Restricted			2,219		
Committed			290,831		
Assigned			20		
<b>ENDING GAAP GENERAL PURPOSE REVENUE FUND BALANCE</b>			<b>\$ 687,676</b>		

The notes to the required supplementary information are an integral part of this schedule.

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**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

**NOTE RSI-1 – BUDGETARY INFORMATION**

**A. BUDGETARY BASIS**

The three budget-to-actual schedules show revenues and expenditures that are legislatively appropriated or otherwise legally authorized (see pages 118 to 120). These schedules are presented in the budgetary fund structure discussed below. Higher Education Institution funds, with the exception of the amounts included in the Long Appropriations Act as limitations on the earning of certain cash revenues, are excluded from these schedules. In Fiscal Year 2011-12, the Act contained Higher Education Institution appropriations of \$1.6 billion of tuition and select fee revenues that were designated as informational only. These informational only appropriations are also excluded from these schedules.

The budgetary fund types used by the State differ from the generally accepted accounting fund types. The budgetary fund types are general, cash, and federal funds. For budgetary purposes, cash funds are all financial resources received by the State that have been designated to support specific expenditures. Federal funds are revenues received from the federal government. All other financial resources received are general-purpose revenues, and are not designated for specific expenditures until appropriated by the General Assembly.

Eliminations of transfers and intrafund transactions are not made in the budgetary funds if those transactions are under budgetary control. Thus, revenues and expenditures in these funds are shown at their gross amounts. This results in significant duplicate recording of revenues and expenditures. An expenditure of one budgetary fund may be shown as a transfer-in or revenue in another budgetary fund and then be shown again as an expenditure in the second fund.

For budget purposes, depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting with the following exceptions:

- Payments to employees for time worked in June of each fiscal year are made on the first working day of the following month; for general-funded appropriations those payments are reported as expenditures in the following fiscal year.
- Certain payments by state agencies to the Office of Information Technology for information technology services purchased in June using general-funded appropriations are reported as expenditures in the following fiscal year.

- Medicaid services claims are reported as expenditures only when the Department of Health Care Policy and Financing requests payment by the State Controller for medical services premiums under the Colorado Medical Services Act or for medical service provided by the Department of Human Services under the Colorado Medical Services Act. Similar treatment is afforded to nonadministrative expenditures that qualify for federal participation under Title XIX of the federal Social Security Act except for medically indigent program expenditures. In most years, this results in the Department of Health Care Policy and Financing excluding expenditures accrued for services provided but not yet billed.

- Expenditures of the fiscal year in the following three categories that have not been paid at June 30 are reported in the following year: Old Age Pension Health and Medical Care program costs; state contributions required by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003; and financial administration costs of any non-administrative expenditure under the Children's Basic Health Plan.

- Unrealized gains and losses on investments are not recognized as changes in revenue on the budgetary basis.

**B. BUDGETARY PROCESS**

The financial operations of the legislative, judicial, and executive branches of State government, with the exception of custodial funds and federal moneys not requiring matching State funds, are controlled by annual appropriations made by the General Assembly. The Department of Transportation's portion of the Highway Fund is appropriated to the State Transportation Commission. Within the legislative appropriation, the Commission may appropriate the specific projects and other operations of the department. In addition, the Commission may appropriate available fund balance from its portion of the Highway Fund.

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The total legislative appropriation is constitutionally limited to the unrestricted funds held at the beginning of the year plus revenues estimated to be received during the year as determined by the budgetary basis of accounting. The original appropriation by the General Assembly in the Long Appropriations Act segregates the budget of the State into its operating and capital components. The majority of the capital budgets are accounted for in the Capital Projects Fund, with the primary exception being budgeted capital funds used for infrastructure.

The Governor has line item veto authority over the Long Appropriations Act, but the General Assembly may override each individual line item veto by a two-thirds majority vote in each house.

Most general and cash funded appropriations, with the exception of capital projects, lapse at year-end unless specifically required by the General Assembly or executive action is taken to rollforward all or part of the remaining unspent budget authority. Appropriations that meet the strict criteria for rollforward are reported in Note 41. Since capital projects appropriations are generally available for three years after appropriation, significant amounts of the capital budgets remain unexpended at fiscal year-end. Cash funded highway construction, maintenance and operations in the Department of Transportation are appropriated as operating budgets, but remains available in future years through action of the Transportation Commission. In Fiscal Year 2011-12, the Department of Transportation capitalized a project expenditures of \$341.6 million from all funding sources.

The appropriation controls the combined expenditures and encumbrances of the State, in the majority of the cases, to the level of line item within the State agency. Line items are individual lines in the official budget document and vary from specific payments for specific programs to single appropriations at the agency level. Statutes allow the Judicial and Executive Branches, at year-end, to transfer legislative appropriations within departments for expenditures. The appropriation may be retroactively adjusted in the following session of the General Assembly by a supplemental appropriation.

On the three budget-to-actual schedules, the column titled Original Appropriation consists of the Long Appropriations Act including anticipated federal funds, special bills, and estimates of statutorily authorized appropriations. The column titled Final Spending Authority includes the original appropriation, federal funds actually awarded if no General Fund matching funds are required, supplemental appropriations of the Legislature, statutorily authorized appropriations, and other miscellaneous budgetary items.

**C. OVEREXPENDITURES**

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. The modified and full accrual basis of accounting is converted to the budgetary basis of accounting as explained in Note RSI-1A. In the General Purpose Revenue Fund and Capital Projects Fund, if earned cash revenues plus available fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general-funded expenditures. If general-funded expenditures exceed the general-funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Individual overexpenditures are listed in Note 8A.

A separately issued report comparing line item expenditures to authorized budget is available upon request from the Office of the State Controller.

**D. BUDGET TO GAAP RECONCILIATION**

*The Reconciling Schedule – All Budget Fund Types to All GAAP Fund Types* (see page 122) shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (see pages 118 to 120) relate to the change in fund balances/net position for the funds presented in the fund-level statements (see pages 8 to 25).

Certain expenditures on a generally accepted accounting principle (GAAP) basis, such as bad debt expense and depreciation, are not budgeted by the General Assembly. In addition, certain General Purpose Revenue Fund payroll disbursements for employee time worked in June, June general-funded purchases of service from the Office of Information Technology, Medicaid and certain other assistance program payments (see Section A above) accrued but not paid by June 30, are excluded from the budget and from budget basis expenditures. These expenditures are not shown on the budget-to-actual schedules but are included in the budget-to-actual reconciliation schedule as "GAAP Expenditures Not Budgeted". Some transactions considered expenditures for budgetary purposes, such as loan disbursements and capital purchases in proprietary fund types, are not expenditures on a GAAP basis. These expenditures are shown as "Budgeted Non-GAAP Expenditures."

Some transactions considered revenues for budgetary purposes, such as intrafund sales, are not considered GAAP revenues. Some events, such as the recognition of unrealized gains/losses on investments, affect revenues on a GAAP basis but not on the budgetary basis. Federal Medicaid revenues related to deferred Medicaid expenditures result in revenues on the GAAP statements but not on the budgetary statements. These events and transactions are shown in the reconciliation as "Unrealized Gains/Losses" and/or "GAAP Revenue Adjustments".

The inclusion of these revenues and expenditures and the change in nonbudgeted funds along with the balances

from the budget-to-actual statements is necessary to reconcile to the GAAP fund balance.

**E. OUTSTANDING ENCUMBRANCES**

The State uses encumbrance accounting as an extension of formal budget implementation in most funds except certain fiduciary funds, and certain Higher Education Institutions Funds. Under this procedure, purchase orders and contracts for expenditures of money are recorded to reserve an equivalent amount of the related appropriation. Encumbrances do not constitute expenditures or liabilities. They lapse at year-end unless specifically brought forward to the subsequent year.

**NOTE RSI-2 – SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS**

As required by GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the following is the State's Schedule of Funding Progress for its other post-employment benefit plans.

See Note 19 on page 70 for additional information regarding the plans listed in the schedule.

Under the standard, the State must disclose the funding progress of the other postemployment benefit plans for the most recent and two preceding actuarial valuations.

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll <sup>1</sup> (c)	UAAL as a Percentage of Covered Payroll <sup>1</sup> ((b-a)/c)
<b>University of Colorado:</b>							
2011-12	7/1/2010	-	\$ 343,144,000	\$ 343,144,000	0.0%	\$ 855,022,632	40.1%
2010-11	7/1/2010	-	\$ 343,144,000	\$ 343,144,000	0.0%	\$ 1,023,525,000	33.5%
2009-10	7/1/2008	-	\$ 196,714,735	\$ 196,714,735	0.0%	\$ 944,167,317	20.8%
2008-09	7/1/2008	-	\$ 196,714,735	\$ 196,714,735	0.0%	\$ 898,898,961	21.9%
2007-08	7/1/2007	-	\$ 195,972,332	\$ 195,972,332	0.0%	\$ 831,242,265	23.6%
<b>Colorado State University:</b>							
<b>RMPR</b>							
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%
2008-09	1/1/2009	-	\$ 25,187,719	\$ 25,187,719	0.0%	\$ 238,826,606	10.5%
2007-08	1/1/2007	-	\$ 22,079,791	\$ 22,079,791	0.0%	\$ 199,793,625	11.1%
<b>RMPS</b>							
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
2009-10	1/1/2009	-	\$ 55,863,780	\$ 55,863,780	0.0%	N/A	N/A
2008-09	1/1/2009	-	\$ 54,271,314	\$ 54,271,314	0.0%	N/A	N/A
2007-08	1/1/2008	-	\$ 54,012,423	\$ 54,012,423	0.0%	N/A	N/A
<b>URX</b>							
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
2008-09	1/1/2009	-	\$ 2,899,120	\$ 2,899,120	0.0%	N/A	N/A
2007-08	1/1/2008	-	\$ 4,267,306	\$ 4,267,306	0.0%	N/A	N/A
<b>LTD</b>							
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
2008-09	1/1/2009	-	\$ 12,218,851	\$ 12,218,851	0.0%	N/A	N/A
2007-08	1/1/2008	-	\$ 10,209,899	\$ 10,209,899	0.0%	N/A	N/A

<sup>1</sup> –The CSU-RMPS, CSU-URX, and CSU-LTD plans' benefits are not based on salaries or covered payroll.

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**APPENDIX B**  
**Forms of Master Indenture, 2012H Supplemental Indenture, 2012H Lease, 2012H Site Leases and**  
**2012H Subleases**

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After recording return to:  
Michael R. Johnson  
Kutak Rock LLP  
1801 California Street, Suite 3100  
Denver, Colorado 80202

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**FORM OF**  
  
**STATE OF COLORADO**  
**BUILDING EXCELLENT SCHOOLS TODAY**  
**MASTER TRUST INDENTURE**  
by

**ZIONS FIRST NATIONAL BANK,**  
as Trustee

authorizing

State of Colorado  
Building Excellent Schools Today  
Certificates of Participation

Dated as of August 12, 2009

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**STATE OF COLORADO  
BUILDING EXCELLENT SCHOOLS TODAY  
MASTER TRUST INDENTURE**

This State of Colorado Building Excellent Schools Today Master Trust Indenture (this “Master Indenture”) is dated as of August 12, 2009, and is executed and delivered by Zions First National Bank, a national banking association duly organized and validly existing under the laws of the United States, as trustee for the benefit of the Owners of the Certificates (the “Trustee”). *Capitalized terms used but not defined herein have the meanings assigned to them in the Glossary attached hereto, as such Glossary is amended, supplemented and restated from time to time.*

RECITALS

This Master Indenture is being executed and delivered to provide for the execution, delivery and payment of and security for the Certificates, the proceeds of which will be used to finance Projects. The Certificates evidence undivided interests in the right to receive Lease Revenues. The Certificates will be executed and delivered in Series and Supplemental Indentures will be executed and delivered to provide additional terms applicable to each Series of Certificates.

AGREEMENT

The Trustee hereby declares for the benefit of the Owners and the State as follows:

**ARTICLE I**

**SECURITY FOR CERTIFICATES**

**Section 1.01. Trust Estate.** The Trustee, in consideration of the premises, the purchase of the Certificates by the Owners and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, in order to secure the payment of the principal of, premium, if any, and interest on the Certificates and all other amounts payable to the Owners with respect to the Certificates, to secure the performance and observance of all the covenants and conditions set forth in the Certificates and the Indenture, and to declare the terms and conditions upon and subject to which the Certificates are executed, delivered and secured, has executed and delivered this Master Indenture and has granted, assigned, pledged, bargained, sold, alienated, remised, released, conveyed, set over and confirmed, and by these presents does grant, assign, pledge, bargain, sell, alienate, remise, release, convey, set over and confirm, in trust upon the terms set forth herein all and singular the following described property, franchises and income, including any title or interest therein acquired after these presents, all and singular the following described property, franchises and income, including any title therein acquired after these presents:

- (a) the Leased Property and the tenements, hereditaments, appurtenances, rights, privileges and immunities thereto belonging or appertaining, subject to the terms

of each Lease including, but not limited to, the terms of such Lease permitting the existence of Permitted Encumbrances;

(b) all rights, title and interest of the Trustee in, to and under each Lease (other than the Trustee's rights to payment of its fees and expenses under such Lease and the rights of third parties to Additional Rent payable to them under such Lease);

(c) all Base Rent payable pursuant to each Lease;

(d) all Federal Direct Payments with respect to the interest component of Base Rentals paid to the Trustee pursuant to any Lease;

(e) the State's Purchase Option Price paid pursuant to each Lease, if paid (including any Net Proceeds used to pay the State's Purchase Option Price);

(f) all money and securities from time to time held by the Trustee under this Indenture in the Certificate Fund, the Capital Construction Fund and the State Expense Fund (but not the Rebate Fund or any defeasance escrow account); and

(g) any and all other property, revenues or funds from time to time hereafter by delivery or by writing of any kind specially granted, assigned or pledged as and for additional security hereunder, by any Person in favor of the Trustee, which shall accept any and all such property and hold and apply the same subject to the terms hereof.

The Subleases, the Matching Money Bonds and moneys paid by the Sublessees pursuant to the Subleases and the Matching Money Bonds are not included in the Trust Estate.

**Section 1.02. Discharge of Indenture.** If this Master Indenture is discharged in accordance with Section 9.01 hereof, the right, title and interest of the Trustee and the Owners in and to the Trust Estate shall terminate and be discharged; otherwise this Master Indenture is to be and remain in full force and effect.

**Section 1.03. Certificates Secured on a Parity Unless Otherwise Provided.** The Trust Estate shall be held by the Trustee for the equal and proportionate benefit of the Owners of all Outstanding Certificates, and any of them, without preference, priority or distinction as to lien or otherwise, except as expressly set forth in the Indenture.

**Section 1.04. Limited Obligations.**

(a) Payment of Rent and all other payments by the State shall constitute currently appropriated expenditures of the State and may be paid solely from legally available moneys in the Assistance Fund, including any moneys appropriated or transferred by the Colorado General Assembly to the Assistance Fund in accordance with the Act from any legally available source if the amount of money in the Assistance Fund that is available to pay Rent will be insufficient to cover the full amount of Rent. All obligations of the State under the Leases shall be subject to the action of the Colorado General Assembly in annually making moneys available for payments thereunder. The obligations of the State to pay Rent and all other obligations of the State under the Leases

are subject to appropriation by the Colorado General Assembly in its sole discretion, and shall not be deemed or construed as creating an indebtedness of the State within the meaning of any provision of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness of the State and shall not constitute a multiple fiscal year direct or indirect debt or other financial obligation of the State within the meaning of Section 20(4) of Article X of the State Constitution. In the event the State does not renew any Lease, the sole security available to the Trustee, as lessor under the Leases, shall be the Leased Property leased under the Leases, subject to the terms of the Leases.

(b) The Certificates evidence undivided interests in the right to receive Lease Revenues and shall be payable solely from the Trust Estate. No provision of the Certificates, the Indenture, any Lease, any Site Lease, any Sublease, any Matching Moneys Bond or any other document or instrument shall be construed or interpreted (i) to directly or indirectly obligate the State to make any payment in any Fiscal Year in excess of amounts appropriated by the Colorado General Assembly for Rent for such Fiscal Year; (ii) as creating a multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the State within the meaning of Section 3 of Article XI, Section 20 of Article X of the State Constitution or any other limitation or provision of the State Constitution, State statutes or other State law; (iii) as a delegation of governmental powers by the State; (iv) as a loan or pledge of the credit or faith of the State or as creating any responsibility by the State for any debt or liability of any person, company or corporation within the meaning of Section 1 of Article XI of the State Constitution; or (v) as a donation or grant by the State to, or in aid of, any person, company or corporation within the meaning of Section 2 of Article XI of the State Constitution.

(c) The provisions of this Section are hereby expressly incorporated into each Supplemental Indenture. The Certificates shall contain statements substantially in the form of subsections (a) and (b) of this Section.

**Section 1.05. Certificates Constitute a Contract.** The Certificates shall constitute a contract between the Trustee and the Owners. In no event shall any decision by the Colorado General Assembly not to appropriate any amounts payable under a Lease be construed to constitute an action impairing such contract.

## ARTICLE II

### AUTHORIZATION, TERMS, EXECUTION AND DELIVERY OF CERTIFICATES

**Section 2.01. Authorization, Name and Amount.** No Certificates may be executed and delivered hereunder except in accordance with this Article. The Certificates may be issued in one or more Series. Each Series of Certificates shall be named State of Colorado Building Excellent Schools Today Certificates of Participation, followed by the Tax Treatment Designation of such Series (omitting the word "Certificates"), a year and letter that corresponds to the year and letter in the name of the Lease that is entered into in connection with the issuance of such Series of Certificates and, if more than one Series of Certificates are issued at the same time, a dash and a number to distinguish such Series of Certificates from the other Series of

Certificates issued at the same time. The aggregate principal amount of Certificates that may be executed and delivered is not limited in amount.

**Section 2.02. Purpose, Payment, Authorized Denominations and Numbering.**

(a) The Certificates shall be sold, executed and delivered for the purpose of paying the Costs of the Projects and the Costs of Issuance, making deposits to funds, accounts and subaccounts held by the Trustee or, if proceeds of the applicable Series of Certificates are to be used to defease Outstanding Certificates pursuant to Section 9.01 hereof, making deposits to a defeasance escrow account and paying other costs associated with the defeasance.

(b) The Certificates shall be issuable only as fully registered Certificates in Authorized Denominations. The Certificates shall be numbered in such manner as shall be determined by the Trustee.

(c) The principal of and premium, if any, on any Certificate shall be payable to the Owner thereof as shown on the registration records of the Trustee upon maturity or prior redemption thereof and upon presentation and surrender at the Operations Center of the Trustee. Payment of interest on the Certificates shall be made by check or draft of the Trustee mailed, on or before each Interest Payment Date, to the Owner thereof at his address as it last appears on the registration records of the Trustee at the close of business on the Record Date. Any such interest not so timely paid shall cease to be payable to the person who is the Owner thereof at the close of business on the Record Date and shall be payable to the person who is the Owner thereof at the close of business on a Special Record Date for the payment of such defaulted interest. Such Special Record Date shall be fixed by the Trustee whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given by the Trustee to the Owners of the Certificates, not less than ten days prior to the Special Record Date, by first-class mail to each such Owner as shown on the Trustee's registration records on a date selected by the Trustee, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. Alternative means of payment of interest may be used if mutually agreed to in writing between the Owner of any Certificate and the Trustee.

**Section 2.03. Form of Certificates.** The Certificates of each Series shall be in substantially the form set forth in the Supplemental Indenture authorizing such Series of Certificates or an exhibit, appendix or other attachment thereto, with such changes thereto, not inconsistent with this Master Indenture or such Supplemental Indenture, as may be necessary or desirable and approved by the State.

**Section 2.04. Execution and Authentication of Certificates.** The manual signature of a duly authorized signatory of the Trustee shall appear on each Certificate. Any Certificate shall be deemed to have been executed by a duly authorized signatory of the Trustee if signed by the Trustee, but it shall not be necessary that the same signatory sign all of the Certificates executed and delivered hereunder. If any signatory of the Trustee whose signature appears on a Certificate shall cease to be such official before delivery of the Certificates, such signature shall

nevertheless be valid and sufficient for all purposes, the same as if he or she had remained a duly authorized signatory of the Trustee until delivery.

**Section 2.05. Mutilated, Lost, Stolen or Destroyed Certificates.** In the event that any Certificate is mutilated, lost, stolen or destroyed, a new Certificate may be executed on behalf of the Trustee, of like Series, date, maturity, interest rate and denomination as that mutilated, lost, stolen or destroyed; provided that the Trustee shall have received such evidence, information or indemnity from the Owner of the Certificate as the Trustee may reasonably require, and provided further, in case of any mutilated Certificate, that such mutilated Certificate shall first be surrendered to the Trustee. In the event that any such Certificate shall have matured, instead of issuing a duplicate Certificate, the Trustee may pay the same without surrender thereof. The Trustee may charge the Owner of the Certificate with its reasonable fees and expenses in this connection and require payment of such fees and expenses as a condition precedent to the delivery of a new Certificate.

**Section 2.06. Registration of Certificates; Persons Treated as Owners; Transfer and Exchange of Certificates.**

(a) Records for the registration and transfer of Certificates shall be kept by the Trustee which is hereby appointed the registrar for the Certificates. The principal of, interest on, and any prior redemption premium on any Certificate shall be payable only to or upon the order of the Owner or his legal representative (except as otherwise herein provided with respect to Record Dates and Special Record Dates for the payment of interest). Upon surrender for transfer of any Certificate at the Operations Center of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Owner or his attorney duly authorized in writing, the Trustee shall enter such transfer on the registration records and shall execute and deliver in the name of the transferee or transferees a new fully registered Certificate or Certificates of a like Series, aggregate principal amount and of the same maturity, bearing a number or numbers not previously assigned.

(b) Fully registered Certificates may be exchanged at the Operations Center of the Trustee for an equal aggregate principal amount of fully registered Certificates of the same Series, maturity and interest rate of other Authorized Denominations. The Trustee shall execute and deliver Certificates which the Owner making the exchange is entitled to receive, bearing numbers not previously assigned.

(c) The Trustee may require the payment, by the Owner of any Certificate requesting exchange or transfer, of any reasonable charges as well as any taxes, transfer fees or other governmental charges required to be paid with respect to such exchange or transfer.

(d) The Trustee shall not be required to transfer or exchange (i) all or any portion of any Certificate during the period beginning at the opening of business 15 days before the day of the mailing by the Trustee of notice calling any Certificates for prior redemption and ending at the close of business on the day of such mailing, or (ii) all or

any portion of a Certificate after the mailing of notice calling such Certificate or any portion thereof for prior redemption.

(e) Except as otherwise herein provided with respect to Record Dates and Special Record Dates for the payment of interest, the person in whose name any Certificate shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or interest on any Certificate shall be made only to or upon the written order of the Owner thereof or his legal representative, but such registration may be changed as herein provided. All such payments shall be valid and effectual to satisfy and discharge such Certificate to the extent of the sum or sums paid.

(f) Notwithstanding any other provision hereof, except as otherwise provided in a Supplemental Indenture with respect to one or more Series of Certificates, the Certificates shall be delivered only in book-entry form registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, acting as securities depository of the Certificates and principal of, premium, if any and interest on the Certificates shall be paid by wire transfer to DTC; provided, however, if at any time the State or the Trustee determines that DTC is no longer able to act as, or is no longer satisfactorily performing its duties as, securities depository for the Certificates, the State may, at its discretion, either (i) designate a substitute securities depository for DTC, whereupon the Trustee shall reregister the Certificates as directed by such substitute securities depository or (ii) terminate the book-entry registration system, whereupon the Trustee shall reregister the Certificates in the names of the beneficial owners thereof provided to it by DTC. The Trustee shall have no liability to DTC, Cede & Co., any substitute securities depository, any Person in whose name the Certificates are reregistered at the direction of any substitute securities depository, any beneficial owner of the Certificates or any other Person for (A) any determination made by the State or the Trustee pursuant to the proviso at the end of the immediately preceding sentence or (B) any action taken to implement such determination and the procedures related thereto that is taken pursuant to any direction of or in reliance on any information provided by DTC, Cede & Co., any substitute securities depository or any Person in whose name the Certificates are reregistered.

**Section 2.07. Cancellation of Certificates.** Whenever any Outstanding Certificate shall be delivered to the Trustee for cancellation pursuant to this Indenture, upon payment thereof or for or after replacement pursuant to Section 2.05 or 2.06 hereof, such Certificate shall be promptly cancelled by the Trustee.

**Section 2.08. Negotiability.** Subject to the registration provisions hereof, the Certificates shall be fully negotiable and shall have all the qualities of negotiable paper, and the Owners thereof shall possess all rights enjoyed by the holders or owners of negotiable instruments under the provisions of the Uniform Commercial Code-Investment Securities. The principal of and interest on the Certificates shall be paid, and the Certificates shall be transferable, free from and without regard to any equities, set-offs or cross-claims between the Trustee and the original or any intermediate owner of any Certificates.

**Section 2.09. Conditions to Execution and Delivery of Certificates.** No Series of Certificates may be executed and delivered unless each of the following conditions has been satisfied:

(a) The Trustee has received a form of Supplemental Indenture that specifies the following: (i) the Tax Treatment Designation, the Series name, the aggregate principal amount, the Authorized Denominations, the dated date, the maturity dates, the interest rates, if any, the redemption provisions, if any, the form and any variations from the terms set forth in this Master Indenture with respect to such Series of Certificates; (ii) any amendment, supplement or restatement of the Glossary required or deemed by the State to be advisable or desirable in connection with such Supplemental Indenture; and (iii) any other provisions deemed by the State to be advisable or desirable and that do not violate and are not in conflict with this Master Indenture or any previous Supplemental Indenture.

(b) The Trustee has received forms of a new Site Lease and Lease or amendments to an existing Site Lease and Lease adding any new Leased Property and/or amendments to an existing Site Lease and Lease removing or modifying any Leased Property that is to be removed or modified.

(c) If the proceeds of such Series of Certificates are to be used to defease Outstanding Certificates pursuant to Section 9.01 hereof, the Trustee shall have received a form of a defeasance escrow agreement and the other items required by Section 9.01 hereof.

(d) The State has certified to the Trustee that: (i) the Fair Market Value of the property added to the Leased Property in connection with the execution and delivery of such Series of Certificates is at least equal to 90% of the principal amount of such Series of Certificates; and (ii) no Event of Default or Event of Nonappropriation exists under any Lease. The certification of the State pursuant to clause (i) may be given based and in reliance upon certifications by the Sublessees that leased the Leased Property to the Trustee pursuant to Site Leases.

(e) The Trustee has received evidence that the execution and delivery of the Series of Certificates will not result in a reduction of the then current rating by any Rating Agency of any Outstanding Certificates, which evidence may take the form of a letter from a Rating Agency, a certificate of a financial advisor to the State or a certificate of an underwriter of Certificates.

(f) The State has directed the Trustee in writing as to the delivery of the Series of Certificates and the application of the proceeds of the Series of Certificates, including, but not limited to, the amount to be deposited into the Project Account established for each Sublessee, the amount, if any, of the Allocated Investment Earnings for each Project Account, the amount to be deposited into the Cost of Issuance Account and, if proceeds of such Series of Certificates are to be used to defease Outstanding Certificates pursuant to Section 9.01 hereof, the amount to be deposited into the defeasance escrow account established pursuant to Section 9.01 hereof.

(g) The Trustee has received a written opinion of Bond Counsel to the effect that (i) the Certificates of such Series have been duly authorized, executed and delivered pursuant to the Act and the Indenture (including the Supplemental Indenture executed and delivered in connection with the execution and delivery of such Series of Certificates) and will not cause an Adverse Tax Event, and (ii) the execution, sale and delivery of the Series of Certificates will not constitute an Event of Default or a Failure to Perform or cause any violation of the covenants set forth in the Indenture.

**Section 2.10. Execution and Delivery of Supplemental Indenture, Site Lease, Lease, Amendment to Site Lease, Lease or Defeasance Escrow Agreement; Delivery of Certificates; Application of Proceeds.** If the conditions set forth in Section 2.09 hereof have been satisfied, the Trustee shall execute and deliver the Supplemental Indenture, any Site Lease, any Lease, any amendment to any existing Site Lease, Lease or any defeasance escrow agreement provided to it pursuant to Section 2.09 hereof in the form provided to it and shall deliver the Series of Certificates and apply the proceeds of the Series of Certificates as directed by the State.

**Section 2.11. Principal Strips, Interest Strips and Tax Credit Strips.** If and as provided in a Supplemental Indenture, (a) Principal Strips and Interest Strips, (b) Principal Strips and Tax Credit Strips or (c) Principal Strips, Interest Strips and Tax Credit Strips may be authorized, executed, authenticated and delivered in lieu of or to replace any Certificate. If Principal Strips and Interest Strips and/or Tax Credit Strips are authorized, executed, authenticated and delivered in lieu of or to replace a Certificate, (i) the rights of the Owners of such Certificate shall be allocated among the owners of the Principal Strips and Interest Strips and/or Tax Credit Strips as provided in such Supplemental Indenture and (ii) all references to such Certificate in the Indenture, the Leases, the Subleases, the Site Leases and all related documents shall, except as otherwise provided in such Supplemental Indenture, be deemed to refer to the owners of the Principal Strip and Interest Strip and/or the Tax Credit Strip authorized, executed, authenticated and delivered in lieu of or to replace such Certificate, collectively.

## ARTICLE III

### FUNDS AND ACCOUNTS

#### **Section 3.01. Certificate Fund.**

(a) ***Creation of Certificate Fund.*** A special fund is hereby created and established with the Trustee to be designated the State of Colorado Building Excellent Schools Today Certificates of Participation Certificate Fund (the “Certificate Fund”) and, within such fund, the Interest Account; the Principal Account; the Purchase Option Account; and a separate Sinking Fund Account for each Series of Qualified School Construction Certificates, the names of each of which Sinking Fund Accounts shall include the same Series designation as the related Series of Qualified School Construction Certificates.

(b) ***Deposits into Accounts of Certificate Fund.***

(i) *Deposits into Interest Account.* There shall be deposited into the Interest Account: (A) accrued interest and capitalized interest, if any, received at the time of the execution and delivery of each Series of Certificates; (B) that portion of each payment of Base Rent by the State which is designated and paid as the interest component of Base Rent under a Lease; (C) any Federal Direct Payment received with respect to the interest component of Base Rent payable by the State under any Lease; (D) any moneys transferred to the Interest Account from the State Expense Fund pursuant to Section 3.03(c) hereof; (E) any moneys transferred to the Interest Account from the Rebate Fund pursuant to Section 3.04(d) hereof; and (F) all other moneys received by the Trustee that are accompanied by directions from the State that such moneys are to be deposited into the Interest Account.

(ii) *Deposits into Principal Account.* There shall be deposited into the Principal Account: (A) that portion of each payment of Base Rent by the State which is designated and paid as the Amortizing Principal component of Base Rent under a Lease; (B) any moneys transferred to the Principal Account from a Sinking Fund Account pursuant to paragraph (iv) of subsection (c) of this Section; (C) any moneys transferred to the Principal Account from the State Expense Fund pursuant to Section 3.03(c) hereof; and (D) all other moneys received by the Trustee that are accompanied by directions from the State that such moneys are to be deposited into the Principal Account.

(iii) *Deposits into Purchase Option Account.* There shall be deposited into the Purchase Option Account: (A) the State's Purchase Option Price; (B) any money transferred to the Purchase Option Account from the State Expense Fund pursuant to Section 3.02(c) hereof; and (C) all other moneys received by the Trustee that are accompanied by directions from the State that such moneys are to be deposited into the Purchase Option Account.

(iv) *Deposits into Sinking Fund Accounts.* There shall be deposited into each Sinking Fund Account (A) that portion of each payment of Base Rent by the State which is designated and paid as the Sinking Fund Principal component of Base Rent under the Lease with the same Series designation as such Sinking Fund Account; (B) any moneys transferred to such Sinking Fund Account from the State Expense Fund pursuant to Section 3.03(c) hereof; and (C) all other moneys received by the Trustee that are accompanied by directions from the State that such moneys are to be deposited into such Sinking Fund Account.

(c) ***Use of Moneys in Accounts of Certificate Fund.***

(i) *Use of Moneys in Interest Account.* Except as otherwise specifically provided below in this paragraph, moneys in the Interest Account shall be used solely for the payment of interest on the Certificates, except that:

(A) interest on Certificates payable as part of the redemption price of Certificates that are redeemed as a result of the exercise by the State of its option under a Lease to purchase a portion of (but not all) the Leased Property shall be paid solely from the Purchase Option Account;

(B) moneys representing accrued interest and capitalized interest received at the time of the execution and delivery of any Series of Certificates shall be used solely to pay the first interest due on such Series of Certificates;

(C) any moneys other than those described in clause (B) above that are transferred to the Interest Account with specific instructions as to their use shall be used solely in accordance with such instructions;

(D) any moneys remaining in the Interest Account after all the interest payable from the Interest Account on all Certificates has been paid shall be transferred to the Principal Account; and

(E) notwithstanding the foregoing, all moneys in the Interest Account shall (I) be used in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) be available to the extent moneys in the Purchase Option Account are not sufficient to pay the redemption price of all the Certificates following the exercise by the State of its options under the Leases to purchase all the Leased Property subject to all Leases.

(ii) *Use of Moneys in Principal Account.* Except as otherwise specifically provided below in this paragraph, moneys in the Principal Account shall be used solely for the payment of principal of the Certificates, except that:

(A) principal of Qualified School Construction Certificates of any Series shall be paid solely from the Sinking Fund Account with the same Series designation as such Series of Qualified School Construction Certificates;

(B) principal of Certificates payable as part of the redemption price of Certificates that are redeemed as a result of the exercise by the State of its option under a Lease to purchase a portion of (but not all) the Leased Property shall be paid solely from the Purchase Option Account;

(C) except as otherwise provided in clause (A) or (B) above, any moneys that are transferred to the Principal Account with specific instructions as to their use shall be used solely in accordance with such instructions; and

(D) notwithstanding the foregoing, all moneys in the Principal Account shall (I) be used in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) shall

be available to the extent moneys in the Purchase Option Account are not sufficient to pay the redemption price of all the Certificates following the exercise by the State of its options under the Leases to purchase all the Leased Property subject to all Leases.

(iii) *Use of Moneys in Purchase Option Account.* Except as otherwise specifically provided below in this paragraph, moneys in the Purchase Option Account shall be used solely for the payment of the redemption price of Certificates that are redeemed as a result of the exercise by the State of its option under one or more Leases to purchase a part or all of the Leased Property, except that:

(A) the State's Purchase Option Price paid with respect to a portion (but not all) of the Leased Property subject to a Lease shall be used only to pay the redemption price of Certificates with the same Series designation as such Lease;

(B) the portion of the redemption price of Qualified School Construction Certificates of any Series representing Funded Principal shall be paid solely from the Sinking Fund Account with the same Series designation as such Series of Qualified School Construction Certificates; and

(C) notwithstanding the foregoing, all moneys in the Purchase Option Account shall be used (I) in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) to pay the redemption price of all the Certificates following the exercise by the State of its options under the Leases to purchase all the Leased Property subject to all Leases.

(iv) *Use of Moneys in Sinking Fund Accounts.* Except as otherwise specifically provided below in this paragraph, moneys in each Sinking Fund Account shall be used solely for the payment of the principal of and the principal portion of the redemption price of Qualified School Construction Fund Certificates with the same Series designation as such Sinking Fund Account. Notwithstanding the foregoing, (A) moneys remaining in a Sinking Fund Account after payment of the principal of and the principal portion of the redemption price of Qualified School Construction Certificates with the same Series designation as such Sinking Fund Account shall be transferred to the Principal Account; and (B) all moneys in the Sinking Fund Accounts shall (I) be used in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) be available to the extent moneys in the Purchase Option Account are not sufficient to pay the redemption price of all the Certificates following the exercise by the State of its options under the Leases to purchase all the Leased Property subject to all Leases.

### **Section 3.02. Capital Construction Fund.**

(a) *Creation of Capital Construction Fund.* A special fund is hereby created and established with the Trustee to be designated the State of Colorado Building Excellent Schools Today Capital Construction Fund (the “Capital Construction Fund”), and, within such fund, the Costs of Issuance Account and a separate Project Account for each Project that is being financed for each Sublessee with proceeds of each Series of Certificates. The names of the Project Accounts for the Projects to be financed with proceeds of each Series of Certificates shall include the Series designation of such Series of Certificates and the name of the Sublessee for which the Project is being financed. The Trustee may establish such additional accounts within the Capital Construction Fund or such subaccounts within any of the existing or any future accounts of the Capital Construction Fund as may be necessary or desirable.

(b) *Deposits into Accounts of Capital Construction Fund.*

(i) *Proceeds of Certificates.* Proceeds from the sale of each Series of Certificates shall be deposited into the Costs of Issuance Account and the Project Accounts in the amounts designated by the State in connection with the execution and delivery of such Series of Certificates. When the State designates the amount of proceeds from the sale of a Series of Certificates to be deposited into a Project Account, it shall also designate the Allocated Investment Earnings, if any, for such Project Account.

(ii) *Earnings from Investment of Project Accounts.* Earnings from the investment of moneys in all the Project Accounts when received shall be aggregated and allocated among the Project Accounts in proportion to the ratio of (A) the Allocated Investment Earnings for each Project Account that have not previously been deposited into such Project Account pursuant to this paragraph to (B) the Allocated Investment Earnings for all Project Accounts that have not previously been deposited into the Project Accounts pursuant to this paragraph. The amount of investment earnings so allocated to a Project Account shall be deposited into such Project Account until the amount so deposited equals the Allocated Investment Earnings for such Project Account. After the amount of investment earnings allocated to a Project Account exceeds the Allocated Investment Earnings for such Project Account, the excess shall be deposited into the State Expense Fund, except that any such investment earnings resulting from the investment of proceeds of any Series of Qualified School Construction Certificates, at the direction of the State, (I) shall be transferred to another Project Account or the Assistance Fund and, subject to terms of the tax compliance or similar certificate executed by the State in connection with the execution and delivery of such Series of Qualified School Construction Certificates, shall be used to pay the costs of a capital construction project as defined in the Act; or (II) shall be used in any other manner directed by the State upon receipt of an opinion of Bond Counsel that such transfer or use will not cause an Adverse Tax Event.

(iii) *Other Deposits to Accounts.* There shall also be deposited into the Costs of Issuance Account and any Project Account any moneys received by the Trustee that are accompanied by instructions to deposit the same into such account.

(iv) *Transfers Between Project Accounts at Direction of State.* Notwithstanding any other provision hereof, the State may, at any time but subject to the terms of the tax compliance or similar certificate executed by the State in connection with the execution and delivery of the Series of Certificates from the Project Account from which the moneys are transferred, direct the Trustee to transfer any moneys held in any Project Account to any other Project Account or to the Assistance Fund to pay the costs of a capital construction project as defined in the Act if the State determines that (A) the sum of the money remaining in, and money expected to be deposited in the future into, the Project Account from which the transfer is made will be sufficient to pay the unpaid Costs of the Project for the Project for which such Project Account was established or (B) no further Costs of the Project will be funded from the Project Account from which the transfer is made.

(c) *Use of Moneys in Costs of Issuance Account.* Moneys held in the Costs of Issuance Account shall be used to pay Costs of Issuance as directed by the State. The Trustee shall transfer any amounts held in the Costs of Issuance Account that are not required to pay Costs of Issuance to the State Expense Fund or one or more Project Accounts as directed by the State. Notwithstanding the foregoing, moneys in the Costs of Issuance Account shall (I) be used in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) be available to the extent moneys in the Purchase Option Account are not sufficient to pay the redemption price of all the Certificates following the exercise by the State of its options under the Lease to purchase all the Leased Property subject to all Leases.

(d) *Use of Moneys in Project Accounts.*

(i) Moneys held in each Project Account shall be disbursed to the Sublessee for whose Project the Account was established to pay, or reimburse the Sublessee for, Costs of the Project for which such Project Account was established upon receipt of a requisition in substantially the form attached hereto as Appendix A, signed by the Sublessee Representative and the State Representative.

(ii) Upon the receipt by the Trustee of the Completion Certificate for the Project, the remaining moneys held in such Project Account shall be transferred by the Trustee to the State Expense Fund.

(iii) Notwithstanding the foregoing, (A) the Trustee shall separately account for Available Project Proceeds of each Series of Qualified School Construction Certificates (which includes earnings from the investment of Available Project Proceeds of each Series of Qualified School Construction

Certificates); (B) Available Project Proceeds of any Series of Qualified School Construction Certificates held in any Project Account that have not been expended as of the last day of the Available Project Proceeds Expenditure Period for such Series of Qualified School Construction Certificates shall be used to pay the redemption price of Qualified School Construction Certificates of such Series in connection with an Unexpended Proceeds Redemption of such Series of Qualified School Construction Certificates; and (C) all moneys in all Project Accounts shall be (I) used in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) be available to the extent moneys in the Purchase Option Account are not sufficient to pay the redemption price of all the Certificates following the exercise by the State of its options under the Lease to purchase all the Leased Property subject to all Leases.

### **Section 3.03. State Expense Fund.**

(a) ***Creation of State Expense Fund.*** A special fund is hereby created and established with the Trustee to be designated the State of Colorado Building Excellent Schools Today Certificates of Participation State Expense Fund (the “State Expense Fund”).

(b) ***Deposits into State Expense Fund.*** There shall be deposited into the State Expense Fund: (i) upon the execution and delivery of each Series of Certificates, proceeds from the sale of such Series of Certificates in the amount, if any, directed by the State; (ii) earnings from the investment of moneys in the Project Accounts allocated to such Project Account pursuant to Section 3.02(b)(ii) hereof, to the extent the earnings so allocated exceed the Allocated Investment Earnings for such Project Account; (iii) any moneys transferred to the State Expense Fund from the Costs of Issuance Account of the Capital Construction Fund pursuant to Section 3.02(c) hereof; (iv) any moneys transferred to the State Expense Fund from a Project Account pursuant to Section 3.02(d)(ii) hereof; and (v) all other moneys received by the Trustee that are accompanied by instructions from the State to deposit the same into the State Expense Fund.

(c) ***Use of Moneys in State Expense Fund.***

(i) Moneys held in the State Expense Fund that are not Available Project Proceeds of Qualified School Construction Certificates (which includes earnings from the investment of Available Project Proceeds of Qualified School Construction Certificates) shall be applied by the Trustee as directed in writing by the State to: (A) reimburse or compensate the State for costs and expenses incurred by the State in connection with the Leased Property, the Projects, the Certificates, the Leases, the Indenture, the Site Leases, the Subleases, the Matching Money Bonds or any matter related thereto, including, but not limited to, a reasonable charge for the time of State employees and allocable overhead; (B) pay Base Rent to the Trustee or Additional Rent to the appropriate recipient; (C) make a deposit to the Certificate Fund, the Capital Construction Fund, the Rebate Fund or any account or subaccount of any such fund; and (D) pay the

Costs of any Project or the costs of any capital construction project as defined in the Act.

(ii) Moneys held in the State Expense Fund that are Available Project Proceeds of any Series of Qualified School Construction Certificates (which includes earnings from the investment of Available Project Proceeds of Qualified School Construction Certificates) shall be applied as directed in writing by the State, subject to the terms of the tax compliance or similar certificate executed by the State in connection with the execution and delivery of such Series of Qualified School Construction Certificates, to pay the Costs of any Project or the costs of a capital construction project as defined in the Act.

(iii) Notwithstanding the foregoing, (A) the Trustee shall separately account for Available Project Proceeds of each Series of Qualified School Construction Certificates (including earnings from the investment of Available Project Proceeds of each Series of Qualified School Construction Certificates); (B) Available Project Proceeds of any Series of Qualified School Construction Certificates held in the State Expense Fund that have not been expended as of the last day of the Available Project Proceeds Expenditure Period for such Series of Qualified School Construction Certificates shall be used to pay the redemption price of Qualified School Construction Certificates of such Series in connection with an Unexpended Proceeds Redemption of such Series of Qualified School Construction Certificates; and (C) all moneys in the State Expense Fund shall (I) be used in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) be available to the extent moneys in the Purchase Option Account are not sufficient to pay the redemption price of all the Certificates following the exercise by the State of its options under the Leases to purchase all the Leased Property subject to all Leases.

#### **Section 3.04. Rebate Fund.**

(a) ***Creation of Rebate Fund.*** A special fund is hereby created and established with the Trustee to be designated the State of Colorado Building Excellent Schools Today Capital Construction Fund Rebate Fund (the “Rebate Fund”). The Trustee shall create separate accounts within the Rebate Fund for each Series of Certificates (except that more than one Series may be combined for this purpose on the advice of Bond Counsel).

(b) ***Deposits into Rebate Fund.*** There shall be deposited into the appropriate account of the Rebate Fund (i) any moneys transferred to the Rebate Fund from the State Expense Fund pursuant to Section 3.03(c) hereof; (ii) all amounts paid by the State pursuant to subsection (e) of this Section; and (iii) all other moneys received by the Trustee that are accompanied by instructions to deposit the same into the Rebate Fund.

(c) ***Use of Moneys in Rebate Fund.*** Not later than 60 days after the date designated in the tax compliance certificate or similar certificate executed and delivered by the State in connection with the execution and delivery of a Series of Certificates and

every five years thereafter, the Trustee shall, at the direction of the State, pay to the United States of America 90% of the amount required to be on deposit in the account of the Rebate Fund established for such Series of Certificates as of such payment date. No later than 60 days after the final retirement of each Series of Certificates, the Trustee shall, at the direction of the State, pay to the United States of America 100% of the amount required to be on deposit in the account of the Rebate Fund established for such Series of Certificates, which account shall remain in effect for such period of time as is necessary for such final payment to be made. Each payment required to be paid to the United States of America pursuant to this Section shall be filed with the Internal Revenue Service Center, Ogden, Utah 84201. Each payment shall be accompanied by a copy of the Internal Revenue Form 8038-T executed by the State and a statement prepared by the State or its agent summarizing the determination of the amount to be paid to the United States of America. The Trustee acknowledges that the State has reserved the right, in all events, to pursue such remedies and procedures as are available to it in order to assert any claim of overpayment of any rebated amounts.

(d) ***Administration of Rebate Fund.*** The State, in the Leases, has agreed to make or cause to be made all rebate calculations required to provide the information required to transfer moneys to the Rebate Fund pursuant to subsection (b) of this Section. The Trustee shall make deposits to and disbursements from accounts of the Rebate Fund in accordance with the written directions of the State given pursuant to the tax compliance certificates or similar certificates (including any investment instructions attached thereto) executed and delivered by the State in connection with the execution and delivery of the each Series of Certificates. The Trustee shall, at the written direction of the State, invest moneys in each account of the Rebate Fund pursuant to the investment instructions attached to such tax compliance certificates and shall deposit income from said investments immediately upon receipt thereof in such account of the Rebate Fund, all as set forth in such certificates. The Trustee shall conclusively be deemed to have complied with such tax compliance certificates if it follows the written directions of the State, including supplying all necessary information requested by the State in the manner set forth in the tax compliance certificates, and shall not be required to take any actions thereunder in the absence of written directions from the State. Such investment instructions may be superseded or amended by new instructions drafted by, and accompanied by an opinion of, Bond Counsel addressed to the Trustee to the effect that the use of such new instructions will not cause an Adverse Tax Event. The State may employ, at its expense, a designated agent to calculate the amount of deposits to and disbursements from the Rebate Fund. If a withdrawal from the Rebate Fund is permitted as a result of the computation described in the investment instructions, the amount withdrawn shall be deposited in the Interest Account of the Certificate Fund.

(e) ***Payments by State.*** The State has agreed in the Leases, subject to the terms of the Leases, that, if, for any reason, the amount on deposit in the Rebate Fund is less than the amount required to be paid to the United States of America on any date, the State will pay to the Trustee as Additional Rent under the Leases the amount required to make such payment on such date.

**Section 3.05. Nonpresentment of Certificates.** In the event any Certificate shall not be presented for payment when due, if funds sufficient to pay such Certificate shall have been made available to the Trustee for the benefit of the Owner thereof, it shall be the duty of the Trustee to hold such funds without liability for interest thereon, for the benefit of the Owner of such Certificate, who shall be restricted exclusively to such funds for any claim of whatever nature on his part under the Indenture or on or with respect to such Certificate. Except as otherwise required by State escheat laws, funds so held but unclaimed by an Owner shall be transferred to the Principal Account of the Certificate Fund and shall be applied to the payment of the principal of other Certificates after the expiration of five years or, upon receipt by the Trustee of an opinion of Bond Counsel that such funds may be made available for such use on such earlier date, on any earlier date designated by the Trustee.

**Section 3.06. Moneys to be Held in Trust.** The Certificate Fund, the Capital Construction Fund, the State Expense Fund and, except for the Rebate Fund and any defeasance escrow account established pursuant to Section 9.01 hereof and the accounts and subaccounts thereof, any other fund or account created hereunder shall be held by the Trustee, for the benefit of the Owners as specified in the Indenture, subject to the terms of the Indenture and the Leases. The Rebate Fund and the accounts thereof shall be held by the Trustee for the purpose of making payments to the United States of America pursuant to Section 3.04(c) hereof. Any escrow account established pursuant to Section 9.01 hereof shall be held for the benefit of the Owners of the Certificates to be paid therefrom as provided in the applicable escrow agreement.

**Section 3.07. Repayment to the State from Trustee.** After payment in full of the principal of, premium, if any, and interest on the Certificates, all rebate payments due to the United States of America, the fees and expenses of the Trustee and all other amounts required to be paid hereunder, any remaining amounts held by the Trustee hereunder shall be paid to the State.

## ARTICLE IV

### REDEMPTION OF CERTIFICATES

**Section 4.01. Redemption Provisions Set Forth in Supplemental Indentures.** The terms on which each Series of Certificates are subject to redemption shall be as set forth in the Supplemental Indenture authorizing the execution and delivery of such Series of Certificates.

**Section 4.02. Notice of Redemption.**

(a) Notice of the call for any redemption, identifying the Certificates or portions thereof to be redeemed and specifying the terms of such redemption, shall be given by the Trustee by mailing a copy of the redemption notice by United States first-class mail, at least 30 days prior to the date fixed for redemption, and to the Owner of each Certificate to be redeemed at the address shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings of any Certificates as to which no such failure has occurred.

(b) Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner receives the notice.

(c) If at the time of mailing of notice of redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Certificates called for redemption, which moneys are or will be available for redemption of Certificates, such notice will state that it is conditional upon the deposit of the redemption moneys with the Trustee not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

#### **Section 4.03. Redemption Payments.**

(a) On or prior to the date fixed for redemption, the Trustee shall apply funds to the payment of the Certificates called for redemption, together with accrued interest thereon to the redemption date, and any required premium. Upon the giving of notice and the deposit of such funds as may be available for redemption pursuant to this Indenture (which, in the case of certain redemptions, may be less than the full principal amount of the Outstanding Certificates and accrued interest thereon to the redemption date), interest on the Certificates or portions thereof thus called for redemption shall no longer accrue after the date fixed for redemption.

(b) The Trustee shall pay to the Owners of Certificates so redeemed, the amounts due on their respective Certificates, at the Operations Center of the Trustee upon presentation and surrender of the Certificates.

**Section 4.04. Cancellation.** All Certificates which have been redeemed shall not be reissued but shall be canceled by the Trustee in accordance with Section 2.07 hereof.

**Section 4.05. Delivery of New Certificates Upon Partial Redemption of Certificates.** Upon surrender and cancellation of a Certificate for redemption in part only, a new Certificate or Certificates of the same Series and maturity and of Authorized Denominations in an aggregate principal amount equal to the unredeemed portion thereof, shall be executed on behalf of and delivered by the Trustee.

## **ARTICLE V**

### **INVESTMENTS**

#### **Section 5.01. Investment of Moneys.**

(a) All moneys held as part of any fund, account or subaccount created hereunder shall, subject to Sections 5.02 and 6.04 hereof, be invested and reinvested by the Trustee, at the written direction of the State, in Permitted Investments. The Trustee may conclusively presume that any investment so directed by the State is a Permitted Investment. Any and all such investments shall be held by or under the control of the Trustee. The Trustee may invest in Permitted Investments through its own investment department, through the investment department of any Trust Bank or trust company under common control with the Trustee or through the State Treasurer. The Trustee may

sell or present for redemption any investments so purchased whenever it shall be necessary in order to provide moneys to meet any payment hereunder, and the Trustee shall not be liable or responsible for any loss, fee, tax or other charge resulting from any investment, reinvestment or liquidation hereunder.

(b) Except as otherwise provided below or by Article III hereof, investments shall at all times be a part of the fund, account or subaccount from which the moneys used to acquire such investments shall have come, and all earnings on such investments shall be credited to, and losses thereon shall be charged against, such fund, account or subaccount. Notwithstanding the preceding sentence:

(i) Earnings from investments of moneys held in the Project Accounts shall be deposited as provided in Section 3.02(b)(ii) hereof.

(ii) Earnings from investments of moneys held in the Rebate Fund shall be deposited as provided in Section 3.04 hereof.

(iii) Earnings from investments of moneys held in any defeasance escrow account established pursuant to Section 9.01 hereof shall be deposited as provided in the defeasance escrow agreement governing such defeasance escrow account.

(c) The Trustee shall sell and reduce to cash a sufficient amount of such investments in the respective funds, accounts and subaccounts whenever the cash balance in any Project Account is insufficient to pay a requisition when presented, whenever the cash balance in the Principal Account or Interest Account of the Certificate Fund is insufficient to pay the principal of or interest on the Certificates when due, or whenever the cash balance in any fund, account or subaccount is insufficient to satisfy the purposes of such fund, account or subaccount. In computing the amount in any fund, account or subaccount for any purpose hereunder, investments shall be valued at their Fair Market Value.

**Section 5.02. Tax Certification.** The Trustee certifies and covenants to and for the benefit of the Owners that so long as any of the Certificates remain Outstanding, moneys in any fund or account held by the Trustee under this Indenture, whether or not such moneys were derived from the proceeds of the sale of the Certificates or from any other source, will not be deposited or invested in a manner which will be a violation of Section 6.04 hereof.

## ARTICLE VI

### CONCERNING THE TRUSTEE

**Section 6.01. Certifications, Representations and Agreements.** The Trustee certifies, represents and agrees that:

(a) The Trustee (i) is a commercial bank and a national banking association that is duly organized, validly existing and in good standing under the laws of the United States, (ii) is duly qualified to do business in the State, (iii) is authorized, under its

articles of association and bylaws and applicable law, to act as trustee under the Indenture, to own and hold, in trust and as Trustee, the Leased Property leased to the Trustee pursuant to the Site Leases, to lease the Leased Property to the State pursuant to the Leases and to execute, deliver and perform its obligations under the Lease, the Indenture and the Site Leases.

(b) The execution, delivery and performance of the Leases, the Indenture and the Site Leases and the ownership of the Leased Property by the Trustee have been duly authorized by the Trustee.

(c) The Leases, the Indenture and the Site Leases have been duly executed and delivered by the Trustee and are valid and binding obligations enforceable against the Trustee in accordance with their respective terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

(d) The execution, delivery and performance of the Leases, the Indenture the Site Leases and the ownership of the Leased Property by the Trustee does not and will not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Trustee is now a party or by which the Trustee is bound, or constitute a default under any of the foregoing, violate any Requirement of Law applicable to the Trustee, or, except as specifically provided in the Leases, the Indenture, the Subleases or the Site Leases, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the Trustee.

(e) There is no litigation or proceeding pending or threatened against the Trustee affecting the right of the Trustee to execute, deliver or perform its obligations under the Leases, the Indenture, the Subleases or the Site Leases or to own the Leased Property.

(f) The Trustee acknowledges and recognizes that the Leases will be terminated upon the occurrence of an Event of Nonappropriation, and that a failure by the Colorado General Assembly to appropriate funds in a manner that results in an Event of Nonappropriation is solely within the discretion of the Colorado General Assembly.

**Section 6.02. Duties of the Trustee.** The Trustee hereby accepts the trusts imposed upon it by the Indenture and agrees to perform said trusts, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into this Indenture against the Trustee:

(a) The Trustee, prior to the occurrence of an Event of Default or Event of Nonappropriation and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically assigned to it in

the Leases and the Indenture. In case an Event of Default or Event of Nonappropriation has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by the Leases and the Indenture, and use the degree of care as a reasonable and prudent person would exercise under the circumstances in the conduct of the affairs of another. Notwithstanding the foregoing, the Trustee shall in all events be liable for damages and injury resulting from its negligence or willful misconduct.

(b) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees but shall be answerable for the conduct of the same retained in accordance with the standard of care set forth in subsection (a) of this Section, and shall be entitled to act upon an Opinion of Counsel concerning all matters of trust hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon an Opinion of Counsel and shall not be responsible for any loss or damage resulting from any action or nonaction taken by or omitted to be taken in good faith in reliance upon such Opinion of Counsel.

(c) The Trustee shall not be responsible for any recital herein, in this Master Indenture or any Certificate, Supplemental Indenture, Lease, Sublease, Matching Money Bond or any offering document or other document related thereto, for collecting any insurance moneys, for the sufficiency of the security for the Certificates executed and delivered hereunder or intended to be secured hereby, or for the value of or title to the Leased Property. The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Certificates, except for information about the Trustee furnished by the Trustee, if any.

(d) The Trustee shall not be accountable for the use of any Certificates delivered to the Initial Purchaser thereof. The Trustee may become the Owner of Certificates with the same rights which it would have if not Trustee.

(e) The Trustee shall be protected in acting, without inquiry, upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed by it to be genuine and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Certificate shall be conclusive and binding upon any Certificates executed and delivered in place thereof.

(f) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not be answerable for actions that are in accordance with the standard of care set forth in subsection (a) of this Section.

(g) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default or Event of Nonappropriation under a Lease, except failure by the State to cause to be made any of the payments to the Trustee required to be made under such Lease, unless (i) an officer in the Trustee's Denver, Colorado corporate trust department has actual knowledge thereof or (ii) the Trustee has been notified in writing thereof by the State or by the Owners of at least 10% in aggregate principal amount of Certificates then Outstanding.

(h) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust in the manner and for the purposes for which they were received but need not be segregated from other funds except to the extent required by the Indenture or law.

(i) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(j) Notwithstanding anything in the Indenture to the contrary, the Trustee shall have the right, but shall not be required, to demand in respect of the delivery of any Certificates, the withdrawal of any cash, or any action whatsoever within the purview of the Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required, as a condition of such action by the Trustee.

(k) Notwithstanding any other provision hereof, the Trustee shall not be required to advance any of its own funds in the performance of its obligations hereunder unless it has received assurances from the Owners of the Certificates or indemnity from the Owners of the Certificates satisfactory to it that it will be repaid.

(l) Notwithstanding any other provision hereof, the Trustee shall not be directly or indirectly obligated, in its individual capacity, to make any payment of principal, interest or premium in respect to the Certificates.

(m) Records of the deposits to, withdrawals from and investment earnings on moneys in the funds and accounts held by the Trustee hereunder shall be retained by the Trustee until six years after the later of the final payment of the related Series of Certificates.

(n) The Trustee shall deliver written reports to the State within 15 days after the end of each calendar month that include at least the following information: (i) the balance in each fund, account and subaccount created hereunder as of the first day and the last day of such calendar month; (ii) all moneys received by the Trustee during such calendar month, broken down by source, including but not limited to Base Rent, Federal Direct Payments and earnings from the investment moneys held as part of any fund, account or subaccount created hereunder, and by the fund, account or subaccount into which such moneys are deposited; (iii) all disbursements from each fund, account and subaccount created hereunder during such calendar month; and (iv) all transfers to and from each fund, account and subaccount created hereunder during such calendar month.

(o) The Trustee shall notify the State within 10 days after any claim by any Owner or any other Person that any certification, representation or agreement of the Trustee set forth in Section 6.01 hereof is not accurate or complete or that the Trustee has failed to perform any of its duties or obligations under or has failed to comply with any provision of the Indenture, any Lease or any Site Lease.

(p) The Trustee shall provide to any Sublessee at its request an accounting of all receipts and disbursements from such Sublessee's Project Account.

**Section 6.03. Maintenance of Existence; Performance of Obligations.**

(a) The Trustee shall at all times maintain its existence and will use its best efforts to maintain, preserve and renew all the rights and powers provided to it under its articles of association and bylaws, action of its board of directors and applicable law; provided, however, that this covenant shall not prevent the assumption, by operation of law or otherwise, by any Person of the rights and obligations of the Trustee under the Indenture, but only if and to the extent such assumption does not materially impair the rights of the Owners of any Outstanding Certificates or the State.

(b) The Trustee shall do and perform or cause to be done and performed all acts and things required to be done or performed in its capacity as Trustee under the provisions of the Indenture, the Leases or the Site Leases and any other instrument or other arrangement to which it is a party.

**Section 6.04. Tax Covenant.** The Trustee shall not take any action or omit to take any action with respect to the Certificates, the proceeds of the Certificates, the Trust Estate or any other funds or property that would result in an Adverse Tax Event or Adverse Federal Direct Payment Event. In furtherance of this covenant, the Trustee agrees, at the written direction of the State, to comply with the procedures set forth in the tax compliance certificate or similar certificate delivered by the State in connection with the execution and delivery of each Series of Certificates. The covenants set forth in this Section shall remain in full force and effect notwithstanding the payment in full or defeasance of the Certificates until the date on which all obligations of the Trustee in fulfilling such covenants have been met.

**Section 6.05. Sale or Encumbrance of Leased Property.** As long as there are any Outstanding Certificates, and as except otherwise permitted by the Indenture and except as the Leases otherwise specifically require, the Trustee shall not sell or otherwise dispose of any of the Leased Property unless it determines that such sale or other disposal will not materially adversely affect the rights of the Owners.

**Section 6.06. Rights of Trustee under Leases and Site Leases.** The Trustee hereby covenants for the benefit of the Owners that the Trustee will observe and comply with its obligations under the Leases and the Site Leases. Wherever in any Lease or Site Lease it is stated that the Trustee shall be notified or wherever any Lease or Site Lease gives the Trustee some right or privilege, such part of such Lease or Site Lease shall be as if it were set forth in full in this Master Indenture.

**Section 6.07. Defense of Trust Estate.** The Trustee shall at all times, to the extent permitted by law, defend, preserve and protect its interest in the Leased Property and the other property or property rights included in the Trust Estate and all the rights of the Owners under this Indenture against all claims and demands of all Persons whomsoever.

**Section 6.08. Compensation of Trustee.** During the Lease Term for each Lease, the Trustee shall be entitled to compensation in the form of Additional Rent in accordance with such Lease. In no event shall the Trustee be obligated to advance its own funds in order to take any action in its capacity as Trustee hereunder.

**Section 6.09. Resignation or Replacement of Trustee.**

(a) The present or any future Trustee may resign by giving written notice to the Owners of a majority in principal amount of the Certificates and the State not less than 60 days before such resignation is to take effect. Such resignation shall take effect only upon the appointment of a successor qualified as provided in subsection (d) of this Section; provided, however, that if no successor is appointed within 90 days following the date designated in the notice for the Trustee's resignation to take effect, the resigning Trustee may petition a court of competent jurisdiction for the appointment of a successor.

(b) The present or any future Trustee may be removed at any time (i) by the State, for any reason upon delivery to the Trustee of an instrument signed by the State Representative seeking such removal, provided that the State shall not be entitled to remove the Trustee pursuant to this clause if an Event of Default has occurred and is continuing or if any Event of Nonappropriation has occurred; (ii) if an Event of Default has occurred and is continuing or if an Event of Nonappropriation has occurred, by the Owners of a majority in principal amount of the Certificates Outstanding upon delivery to the Trustee of an instrument or concurrent instruments signed by such Owners or their attorneys in fact duly appointed; or (iii) by any Owner, upon delivery to the Trustee of an instrument signed by such Owner or his or her attorney in fact duly appointed following a determination by a court of competent jurisdiction that the Trustee is not duly performing its obligations hereunder or that such removal is in the best interests of the Owners.

(c) In case the present or any future Trustee shall at any time resign or be removed or otherwise become incapable of acting, a successor may be appointed by the State. The State, upon making such appointment, shall forthwith give notice thereof to each Owner, which notice may be given concurrently with the notice of resignation given by any resigning Trustee. The Owners of a majority in principal amount of the Certificates Outstanding may thereupon act to appoint a successor trustee to such successor appointed by the State, by an instrument or concurrent instruments signed by such Owners, or their attorneys in fact duly appointed. Any successor so appointed by the State shall immediately and without further act be superseded by a successor appointed in the manner above provided by the Owners of a majority in principal amount of the Certificates Outstanding.

(d) Every successor shall be a commercial bank with trust powers in good standing, located in or incorporated under the laws of the State, duly authorized to

exercise trust powers and subject to examination by federal or state authority, qualified to act hereunder, having a capital and surplus of not less than \$50,000,000. Any successor trustee shall execute, acknowledge and deliver to the present or then trustee an instrument accepting appointment as successor trustee hereunder, lessor under the Leases and lessee under the Site Leases, and thereupon such successor shall, without any further act, deed or conveyance, (i) become vested with all the previous rights, title and interest in and to, and shall become responsible for the previous obligations with respect to, the Leased Property and the Trust Estate and (ii) become vested with the previous rights, title and interest in, to and under, and shall become responsible for the trustee's obligations under the Indenture, the Leases and the Site Leases, with like effect as if originally named as Trustee herein and therein. The previous trustee shall execute and deliver to the successor trustee (A) such transfer documents as are necessary to transfer the Trustee's interest in the Leased Property to the successor trustee, (B) an instrument in which the previous trustee resigns as trustee hereunder, as lessor under the Leases and as lessee under the Site Leases and (C) at the request of the successor trustee, one or more instruments conveying and transferring to such successor, upon the trusts herein expressed, all the estates, properties, rights, powers and trusts of the previous trustee in the Leased Property, the Trust Estate, the Indenture, the Leases and the Site Leases in a manner sufficient, in the reasonable judgment of the successor trustee, to duly assign, transfer and deliver to the successor all properties and moneys held by the previous trustee in accordance with the laws of the State. Should any other instrument in writing from the previous trustee be required by any successor for more fully and certainly vesting in and confirming to it the rights, title and interest to be transferred pursuant to this Section, the previous trustee shall, at the reasonable discretion and at the request of the successor trustee, make, execute, acknowledge and deliver the same to or at the direction of the successor trustee.

(e) The instruments evidencing the resignation or removal of the Trustee and the appointment of a successor hereunder, together with all other instruments provided for in this Section shall be filed and/or recorded by the successor trustee in each recording office, if any, where the Indenture, the Lease and/or the Site Leases shall have been filed and/or recorded.

**Section 6.10. Conversion, Consolidation or Merger of Trustee.** Any commercial bank with trust powers into which the Trustee or its successor may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business as a whole or substantially as a whole shall be the successor of the Trustee under the Indenture with the same rights, powers, duties and obligations and subject to the same restrictions, limitations and liabilities as its predecessor, all without the execution or filing of any papers or any further act on the part of any of the parties hereto or thereto, anything herein or therein to the contrary notwithstanding. In case any of the Certificates shall have been executed, but not delivered, any successor Trustee may adopt the signature of any predecessor Trustee, and deliver the same as executed; and, in case any of such Certificates shall not have been executed, any successor Trustee may execute such Certificates in the name of such successor Trustee.

**Section 6.11. Intervention by Trustee.** In any judicial proceeding to which the State is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the

interests of the Owners, the Trustee may intervene on behalf of Owners and shall do so if requested in writing by the Owners of at least 10% in principal amount of Certificates Outstanding and provided indemnification in accordance with Section 6.02(k) hereof.

## ARTICLE VII

### DEFAULTS AND REMEDIES

**Section 7.01. Remedies of Trustee Upon the Occurrence of an Event of Default or Event of Nonappropriation.** Upon the occurrence of an Event of Default or Event of Nonappropriation under any Lease, subject to the terms of the Subleases granting each Sublessee the option to purchase the Leased Property subject to its Sublease:

(a) the Trustee shall use moneys in the Certificate Fund, the Capital Construction Fund and the State Expense Fund (but not the Rebate Fund and any defeasance escrow account) in accordance with Section 7.15(b) hereof;

(b) the Trustee may, and at the request of the Owners of a majority in principal amount of the Certificates then Outstanding shall, without any further demand or notice, exercise any of the remedies available to it under the Leases (provided that the Trustee may require, as a condition to taking any action, assurances from the Owners of the Certificates limiting its liability, or an agreement with the Owners of the Certificates indemnifying it for liability, resulting from such action in a form reasonably satisfactory to it and customarily required by trustees of Colorado municipal bond issues enforcing remedies following a similar event under a similar instrument; and

(c) the Trustee may take any other action at law or in equity that may appear necessary or desirable to enforce the rights of the Owners.

**Section 7.02. Remedies of Trustee Upon Material Breach by Sublessee of Site Lease.** Upon a material breach by the Site Lessor of a Site Lease, the Trustee may, and at the request of the Owners of a majority in principal amount of the Certificates then Outstanding shall, without further demand or notice, take any action at law or in equity that may appear necessary or desirable to enforce the rights of the Trustee and the Owners (provided that the Trustee may require, as a condition to taking any action, assurances from the Owners of the Certificates limiting its liability, or an agreement with the Owners of the Certificates indemnifying it for liability, resulting from such action in a form reasonably satisfactory to it and customarily required by trustees of Colorado municipal bond issues enforcing remedies following a breach of a similar instrument).

**Section 7.03. Failure to Perform by Trustee.** Any of the following shall constitute a Failure to Perform:

(a) default in the payment of the principal of, premium, if any, and interest on any Certificate when due to the extent such failure is not directly caused by an Event of Default or an Event of Nonappropriation;

(b) failure of the Trustee to enforce and diligently pursue any remedy available under Section 7.01 or 7.02 hereof; and

(c) failure by the Trustee to comply with any other provision of the Indenture within 30 days after receiving notice of noncompliance (subject to any right to indemnification applicable to the Trustee's compliance with such provision of the Indenture).

**Section 7.04. Remedies of Owners Upon a Failure to Perform.** Subject to the other provisions of this Article, upon the occurrence of any Failure to Perform, the Owner of any Certificate may:

(a) commence proceedings in any court of competent jurisdiction to enforce the provisions of this Indenture against the Trustee;

(b) subject to Section 6.09 hereof, cause the Trustee to be removed and replaced by a successor trustee; and

(c) subject to Section 7.05 hereof, take any other action at law or in equity that may appear necessary or desirable to enforce the rights of such Owner.

**Section 7.05. Limitations Upon Rights and Remedies of Owners.** No Owner shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Leases or the Site Leases unless (a) an Event of Default or Event of Nonappropriation or a breach by the Sublessee of a Site Lease has occurred of which the Trustee has been notified as provided in Section 6.02(g) hereof, or of which by Section 6.02(g) hereof it is deemed to have notice, (b) the Owners of not less than a majority in principal amount of Certificates then Outstanding shall have made written request to the Trustee to institute such suit, action or proceeding and shall have offered Trustee assurances from the Owners of the Certificates limiting its liability, or an agreement with the Owners of the Certificates indemnifying it for liability, resulting from such suit, action or proceeding in a form reasonably satisfactory to the Trustee and customarily required by trustees of Colorado municipal bond issues enforcing remedies under similar instruments; and (c) the Trustee has not, after reasonable opportunity, instituted such action, suit or proceedings in its own name.

**Section 7.06. Majority of Owners May Control Proceedings.** Anything in this Indenture to the contrary notwithstanding, the Owners of a majority in principal amount of the Certificates then Outstanding shall have the right, at any time, to the extent permitted by law, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the Trustee to act or refrain from acting or to direct the manner or timing of any action by the Trustee under the Indenture or any Lease or Site Lease or to control any proceeding relating to the Indenture or any Lease or Site Lease; provided that such direction shall not be otherwise than in accordance with the provisions hereof.

**Section 7.07. Trustee to File Proofs of Claim in Receivership, Etc.** In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceedings affecting the State or the Leased Property, the Trustee shall, to the extent permitted by law, be entitled to file such proofs of claim and other documents as may be

necessary or advisable in order to have claims of the Trustee and of the Owners allowed in such proceedings for the entire amount due and payable on the Certificates under this Indenture, at the date of the institution of such proceedings and for any additional amounts which may become due and payable by it after such date, without prejudice, however, to the right of any Owner to file a claim in its own behalf.

**Section 7.08. Trustee May Enforce Remedies Without Certificates.** The Trustee may enforce its rights and remedies under the Leases, the Site Leases and the Indenture without the possession of any of the Certificates or the production thereof in any trial or proceedings relative thereto; and any suit or proceeding instituted by the Trustee shall be brought in its name as Trustee, without the necessity of joining as plaintiffs or defendants any Owners of the Certificates, and any recovery of judgment shall be for the ratable benefit of the Owners, subject to the provisions hereof.

**Section 7.09. No Remedy Exclusive.** No right or remedy available under this Article or otherwise is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

**Section 7.10. Waivers.** The Trustee may in its discretion waive any Event of Default, Event of Nonappropriation or breach by a Sublessee of a Site Lease and its consequences, and, notwithstanding anything else to the contrary contained in this Indenture, shall do so upon the written request of the Owners of a majority in aggregate principal amount of all the Certificates then Outstanding; provided, however, that an Event of Nonappropriation shall not be waived without the consent of the Owners of 100% of the Certificates then Outstanding as to which the Event of Nonappropriation exists, unless prior to such waiver or rescission, all arrears of interest and all arrears of payments of principal and premium, if any, then due, as the case may be (including interest on all overdue installments at the highest rate due on the Certificates), and all expenses of the Trustee in connection with such Event of Nonappropriation shall have been paid or provided for. In case of any such waiver, or in case any proceedings taken by the Trustee on account of any such Event of Default, Event of Nonappropriation or breach by a Sublessee of a Site Lease shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Trustee, the Owners and the State shall be restored to their former positions and rights hereunder respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, Event of Nonappropriation or breach by a Sublessee of a Site Lease or impair any right consequent thereon.

**Section 7.11. Delay or Omission No Waiver.** No delay or omission of the Trustee or of any Owner to exercise any right or power accruing upon any Event of Default, Event of Nonappropriation, breach by a Sublessee of a Site Lease or Failure to Perform shall exhaust or impair any such right or power or shall be construed to be a waiver of any such Event of Default, Event of Nonappropriation, breach by a Sublessee of a Site Lease or Failure to Perform, or acquiescence therein; and every power and remedy given by the Indenture may be exercised from time to time and as often as may be deemed expedient.

**Section 7.12. No Waiver of Default or Breach to Affect Another.** No waiver of any Event of Default, Event of Nonappropriation, breach by a Sublessee of a Site Lease or Failure to

Perform by the Trustee shall extend to or affect any subsequent or any other then existing Event of Default, Event of Nonappropriation, breach by a Sublessee of a Site Lease or Failure to Perform or shall impair any rights or remedies consequent thereon.

**Section 7.13. Position of Parties Restored Upon Discontinuance of Proceedings.** In case the Trustee or the Owners shall have proceeded to enforce any right under the Leases, the Site Leases or the Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Person or Persons enforcing the same, then and in every such case the State, the Trustee and the Owners shall be restored to their former positions and rights hereunder with respect to the Trust Estate, and all rights, remedies and powers of the Trustee and the Owners shall continue as if no such proceedings had been taken.

**Section 7.14. Purchase of Leased Property by Owner; Application of Certificates Toward Purchase Price.** Upon the occurrence of an Event of Default or Event of Nonappropriation and the sale or lease of the Leased Property by the Trustee pursuant to a Lease (but subject to the Sublessees' purchase options set forth in the Subleases), any Owner may bid for and purchase or lease the Leased Property; and, upon compliance with the terms of sale or lease, may hold, retain and possess and dispose of such property in his, her, its or their own absolute right without further accountability; and any purchaser or lessee at any such sale may, if permitted by law, after allowing for payment of the costs and expenses of the sale, compensation and other charges, in paying purchase or rent money, turn in Certificates then Outstanding in lieu of cash. Upon the happening of any such sale or lease, the Trustee may take any further lawful action with respect to the Leased Property which it shall deem to be in the best interest of the Owners, including but not limited to the enforcement of all rights and remedies set forth in the Lease and this Indenture and the taking of all other courses of action permitted herein or therein.

**Section 7.15. Use of Moneys Received from Exercise of Remedies.**

(a) Moneys received from the exercise of remedies pursuant to this Article shall be used as follows:

(i) Moneys in the Certificate Fund shall be used, first, to make payments to the Owners of the Certificates pursuant to subsection (b) of this Section.

(ii) Moneys in each Project Account shall be used, first, to pay Costs of the Project payable from such Project Account if and to the extent the Trustee determines that it is in the best interests of the Owners to do so.

(iii) Moneys in the State Expense Fund shall be used, first, to pay costs and expenses described in Section 3.03(c)(i)(A) hereof.

(iv) Moneys in the Certificate Fund, the Project Accounts and the State Expense Fund that are not used pursuant to paragraphs (i), (ii) or (ii) above, moneys in the Costs of Issuance Account of the Capital Construction Fund and all other moneys received from the exercise of remedies pursuant to this Article shall be used in the following order of priority:

(A) *First*, to pay Additional Rent due to third parties other than the Trustee and the State;

(B) *Second*, to pay the fees and expenses of the Trustee determined in accordance with Section 9.05 of the 2009A Lease and similar provisions of other Leases;

(C) *Third*, to make payments to the Owners in accordance with subsection (b) of this Section; and

(D) *Fourth*, the remainder shall be paid to the State.

(b) Moneys that are available to make payments to the Owners pursuant to subsection (a) of this Section shall be used as follows:

(i) Moneys in each Sinking Fund Account shall be used to pay the unpaid principal of Qualified School Construction Certificates with the same Series designation as such Sinking Fund Account. If the amount in a Sinking Fund Account is not sufficient to pay all principal due on the School Construction Certificates with the same Series designation as such Sinking Fund Account, the amount available shall be used to pay unpaid principal of the Qualified School Construction Certificates with the same Series designation as such Sinking Fund Account in the order in which such principal was originally due, with unpaid principal due on the earliest principal payment dates paid first. If the amount available in a Sinking Fund Account is not sufficient to pay all unpaid principal due on the Qualified School Construction Certificates with the same Series designation as such Sinking Fund Account on a particular principal payment date, the amount available shall be used to pay principal of the Owners of the Qualified School Construction Certificates with the same Series designation as such Sinking Fund Account in proportion to the amount of unpaid principal due to such Owners on such principal payment date. For purposes of this paragraph, the principal component of the redemption price of Qualified School Construction Certificates subject to mandatory sinking fund redemption shall be treated as principal.

(ii) All other moneys available to make payments to the Owners shall be applied in the following order of priority:

(A) *First*, to pay the unpaid interest, plus interest on past due interest, on the Certificates. If the amount available is not sufficient to pay all such interest, the amount available shall be used to pay interest (including interest on past due interest) in the order in which the interest was originally due, with interest payable on the earliest Interest Payment Dates (plus interest on such interest) paid first. If the amount available is not sufficient to pay all such interest with respect to a particular Interest Payment Date, the amount available shall be used to pay interest (including interest on past due interest) to the Owners in proportion to the

amount that would have been paid to them if the amount available had been sufficient.

(B) *Second*, to pay the unpaid principal of the Certificates. If the amount available is not sufficient to pay all such principal, the amount available shall be used to pay unpaid principal in the order in which it was originally due, with principal due on the earliest principal payment dates paid first. If the amount available is not sufficient to pay all unpaid principal due on a particular principal payment date, the amount available shall be used to pay unpaid principal to the Owners in proportion to the amount of principal that would have been paid to them if the amount available had been sufficient. For purposes of this paragraph, the principal component of the redemption price of Certificates subject to mandatory sinking fund redemption shall be treated as principal.

(C) *Third*, to pay an amount equal to the premium, if any, that would have been paid to Owners as a result of the exercise by the State of its options under the Leases to purchase all the Leased Property subject to all Leases if their Certificates had been redeemed prior to maturity on the date on which payments are made pursuant to this subsection. If the amount available is not sufficient to pay all such amounts, the amount available shall be paid to the Owners to which a premium would have been paid in proportion to the amount of premium that would have been paid to them if the amount available had been sufficient.

## ARTICLE VIII

### SUPPLEMENTAL INDENTURES

**Section 8.01. Supplemental Indentures Not Requiring Consent of Owners.** The Trustee may, with the written consent of the State but without the consent of, or notice to, the Owners, execute and deliver a Supplemental Indenture for any one or more or all of the following purposes:

(a) to amend, modify or restate the Glossary attached hereto in any manner directed by the State in writing, provided that the State has certified in writing that, after such amendment, modification or restatement, the Glossary is accurate and that such amendment, modification or restatement does not materially modify the substantive provisions of the Indenture, the Leases or the Site Leases;

(b) to add to the covenants and agreements of the Trustee contained in the Indenture other covenants and agreements to be thereafter observed by the Trustee;

(c) to cure any ambiguity, or to cure, correct or supplement any defect or omission or inconsistent provision contained in the Indenture, or to make any provisions with respect to matters arising under the Indenture or for any other purpose if the State certifies in writing that such provisions are necessary or desirable;

- (d) to add additional Leased Property, to release, substitute or modify Leased Property or to amend the description of Leased Property in accordance with the Leases;
- (e) to subject to the Indenture additional revenues, properties or collateral;
- (f) to set forth the terms and conditions and other matters in connection with the execution and delivery of any Series of Certificates or Principal Strips, Interest Strips or Tax Credit Strips pursuant to Article II hereof;
- (g) to facilitate the Stripping of Certificates;
- (h) to effect or facilitate any change to avoid an Adverse Tax Event or Adverse Federal Direct Payment Event, including, but not limited to, a change to conform to any guidance or regulations promulgated by the United States Internal Revenue Service or the United States Treasury Department that relate to the treatment for federal income tax purposes of any Outstanding or proposed Certificates;
- (i) to effect any other change that, in the reasonable judgment of the State (which may be exercised in reliance upon certifications or advice provided by investment bankers or others with experience in the municipal bond industry), does not materially adversely affect the rights of the Owners; or
- (j) to modify any Certificate to conform to any Supplemental Indenture or to any amendment to the Master Indenture, any Supplemental Indenture, any Lease or any Site Lease.

**Section 8.02. Supplemental Indentures Requiring Consent of Owners.**

- (a) Exclusive of Supplemental Indentures under Section 8.01 hereof, the written consent of the State and the Owners of not less than a majority in aggregate principal amount of the Certificates Outstanding shall be required for the execution and delivery by the Trustee of any Supplemental Indenture; provided, however, that without the consent of the Owners of all the Certificates Outstanding nothing herein contained shall permit, or be construed as permitting:
  - (i) a change in the terms of redemption or maturity of the principal amount of or the interest on any Outstanding Certificate, or a reduction in the principal amount of or premium payable upon any redemption of any Outstanding Certificate or the rate of interest thereon, without the consent of the Owner of such Certificate;
  - (ii) the deprivation as to the Owner of any Certificate Outstanding of the lien created by the Indenture (other than as originally permitted hereby);
  - (iii) a privilege or priority of any Certificate or Certificates over any other Certificate or Certificates, except as permitted herein; or

(iv) a reduction in the percentage of the aggregate principal amount of the Certificates required for consent to any Supplemental Indenture.

(b) If at any time the Trustee shall propose to execute and deliver any Supplemental Indenture for any of the purposes of this Section, the Trustee shall cause notice of the proposed execution and delivery of such Supplemental Indenture to be mailed to the Owners of the Certificates at the addresses last shown on the registration records of the Trustee. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the Denver, Colorado corporate trust office of the Trustee for inspection by all Owners. If, within 60 days or such longer period as shall be prescribed by the Trustee following the mailing of such notice, the Owners of not less than a majority, or, with respect to the matters specified in paragraphs (i) through (iv) of subsection (a) of this Section, 100%, in aggregate principal amount of the Certificates Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as herein provided, no Owner shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or to enjoin or restrain the Trustee from executing the same or from taking any action pursuant to the provisions thereof.

**Section 8.03. Execution of Supplemental Indenture.** Any Supplemental Indenture executed and delivered in accordance with the provisions of this Article shall thereafter form a part of this Indenture; and all the terms and conditions contained in any such Supplemental Indenture shall be deemed to be part of this Indenture for any and all purposes. In case of the execution and delivery of any Supplemental Indenture, express reference may be made thereto in the text of the Certificates executed and delivered thereafter, if any, if deemed necessary or desirable by the Trustee. As a condition to executing any Supplemental Indenture, the Trustee shall be entitled to receive and rely upon a written opinion of Bond Counsel to the effect that the execution thereof is authorized or permitted under this Indenture and the Act and will not cause an Adverse Tax Event.

**Section 8.04. Amendments of Leases or Site Leases Not Requiring Consent of Owners.** The Trustee shall, at the direction of the State without the consent of or notice to the Owners, amend, change or modify any Lease or Site Lease, as the State determines is required:

- (a) by the provisions of the Leases, the Indenture or the Site Leases;
- (b) for the purpose of curing any ambiguity or formal defect or omission in the Leases, the Indenture or the Site Leases;
- (c) in order more precisely to identify the Leased Property; or
- (d) to add additional Leased Property, to release, substitute or modify Leased Property or to amend the description of Leased Property in accordance with the Leases or the Site Leases;
- (e) in connection with the execution and delivery of any Series of Certificates;

- (f) in connection with the redemption of any Certificates;
- (g) in connection with any Supplemental Indenture permitted by this Article;
- (h) to effect any change in any Lease or Site Lease for any purpose for which a Supplemental Indenture may be executed and delivered pursuant to Section 8.01 hereof;
- (i) to effect any change that (i) does not reduce the revenues available to the Trustee from the Leases below the amount required to make all the payments and transfers required by Article III hereof, (ii) does not reduce the Fair Market Value of the Leased Property and (iii) does not cause an Adverse Tax Event;
- (j) to effect any change to any Project permitted by the Act;
- (k) to effect any other change in any Lease or Site Lease that, in the reasonable judgment of the State (which may be exercised in reliance upon certifications or advice provided by investment bankers or others with experience in the municipal bond industry), does not materially adversely affect the rights of the Owners.

**Section 8.05. Amendments of Leases or Site Leases Requiring Consent of Owners.**

Except for the amendments, changes or modifications permitted by Section 8.04 hereof, the Trustee shall not consent to any other amendment, change or modification of any Lease or Site Lease without notice to and the written approval or consent of the Owners of not less than a majority in aggregate principal amount of the Certificates Outstanding given and procured as provided in Section 8.02 hereof. If at any time the State shall request the consent of the Trustee to any such proposed amendment, change or modification of any Lease or Site Lease, the Trustee shall, upon receipt of amounts necessary to pay expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided in Section 8.02 hereof. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the office of the Trustee designated therein for inspection by all Owners.

**Section 8.06. Execution of Amendment of Lease or Site Lease.** As a condition to executing any amendment to any Lease or Site Lease, the Trustee shall be entitled to receive and rely upon a written opinion of Bond Counsel to the effect that the execution thereof is authorized or permitted under the Indenture and the Lease or Site Lease, as applicable, and will not cause an Adverse Tax Event.

## **ARTICLE IX**

### **MISCELLANEOUS**

**Section 9.01. Discharge of Indenture.**

(a) If, when the Certificates secured hereby shall become due and payable in accordance with their terms or otherwise as provided in this Indenture, the whole amount of the principal of, premium, if any, and interest due and payable upon all of the Certificates shall be paid, or provision shall have been made for the payment of the same,

together with all rebate payments due to the United States of America, the fees and expenses of the Trustee and all other amounts payable hereunder, then the right, title and interest of the Trustee in and to the Trust Estate and all covenants, agreements and other obligations of the Trustee to the Owners shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall transfer and convey to (or to the order of) the State all property then held in trust by the Trustee pursuant to this Indenture, and the Trustee shall execute such documents as may be reasonably required by the State and shall turn over to (or to the order of) the State any surplus in any fund, account or subaccount created under this Indenture, except any escrow accounts theretofore established pursuant to this Section.

(b) All or any portion of the Outstanding Certificates shall prior to the maturity or redemption date thereof be deemed to have been paid (“defeased”) within the meaning and with the effect expressed in subsection (a) of this Section if (i) in case such Certificates are to be redeemed on any date prior to their maturity, the Trustee shall have given notice of redemption of such Certificates on said redemption date, such notice to be given on a date and otherwise in accordance with the provisions of Article IV hereof, and (ii) there shall have been deposited in trust either moneys in an amount which shall be sufficient, or Defeasance Securities which shall not contain provisions permitting the redemption thereof at the option of the issuer of such Defeasance Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held in trust at the same time, shall be sufficient to pay when due the principal of, premium, if any, and interest due and to become due on said Certificates on and prior to the redemption date or maturity date thereof, as the case may be. Neither the Defeasance Securities nor moneys deposited in trust pursuant to this Section or principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of, premium, if any, and interest on said Certificates; provided any cash received from such principal or interest payments on such Defeasance Securities deposited in trust, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities of the type described in clause (ii) of this subsection maturing at the times and in amounts sufficient to pay when due the principal of, premium, if any, and interest to become due on said Certificates on or prior to such redemption date or maturity date thereof, as the case may be. At such time as any Certificates shall be deemed paid as aforesaid, such Certificates shall no longer be secured by or entitled to the benefits of this Indenture, except for the purpose of exchange and transfer and any payment from such moneys or Defeasance Securities deposited in trust.

(c) Prior to any discharge of this Indenture pursuant to this Section or the defeasance of any Certificates pursuant to this Section becoming effective, there shall have been delivered to the Trustee (i) a verification report from a certified public accountant verifying the deposit described in subsection (b)(ii) of this Section; and (ii) an opinion of Bond Counsel, addressed to the Trustee, to the effect that all requirements of the Indenture for such defeasance have been complied with and that such discharge or defeasance will not cause an Adverse Tax Event.

(d) In the event that there is a defeasance of only part of the Certificates of any maturity, the Trustee, at the expense of the State, may institute a system to preserve the identity of the individual Certificates or portions thereof so defeased, regardless of changes in Certificate numbers attributable to transfers and exchanges of Certificates.

**Section 9.02. Further Assurances and Corrective Instruments.** So long as the Indenture is in full force and effect, the Trustee shall have full power to carry out the acts and agreements provided to the Indenture and will from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements to the Indenture and such further instruments as may reasonably be requested by the State for correcting any inadequate or incorrect description of the Trust Estate, or for otherwise carrying out the intention of or facilitating the performance of the Indenture.

**Section 9.03. Financial Obligations of Trustee Limited to Trust Estate.** Notwithstanding any other provision hereof, all financial obligations of the Trustee under the Indenture, except those resulting from a violation of the standard of care set forth in Section 6.02(a) hereof.

**Section 9.04. Evidence of Signature of Owners and Ownership of Certificates.**

(a) Any request, consent or other instrument which the Indenture may require or permit to be signed and executed by the Owners may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys appointed in writing, proof of the execution of any such instrument or of an instrument appointing any such attorney, or the ownership of Certificates shall be sufficient (except as otherwise herein expressly provided) if made in the following manner, but the Trustee may, nevertheless, in its discretion require further or other proof in cases where it deems the same desirable:

(i) the fact and date of the execution by any Owner or his attorney of such instrument may be proved by the certificate of any officer authorized to take acknowledgments in the jurisdiction in which he purports to act that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before a notary public; and

(ii) the fact of the ownership by any person of Certificates and the amounts and numbers of such Certificates, and the date of the ownership of the same, may be proved by the registration records of the Trustee.

(b) Any request or consent of the Owner of any Certificate shall bind all transferees of such Certificate in respect of anything done or suffered to be done by the Trustee or the Trustee in accordance therewith.

**Section 9.05. Parties Interested Herein.** Nothing in the Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person other than the Trustee, the Owners of the Certificates and the State, any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation of the Indenture; and all the covenants,

stipulations, promises and agreements in the Indenture contained by and on behalf of the Trustee shall be for the sole and exclusive benefit of the Owners, the State, the Trustee and their respective successors and assigns.

**Section 9.06. Trustee Representative.** Whenever under the provisions of the Indenture the approval of the Trustee is required or the Trustee is required to take some action at the request of the State or the Owners, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative, and the State and the Owners shall be authorized to act on any such approval or request.

**Section 9.07. Titles, Headings, Etc.** The titles and headings of the articles, sections and subdivisions of the Indenture have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

**Section 9.08. Interpretation and Construction.** This Master Indenture and all terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Master Indenture. For purposes of this Master Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Master Indenture to designated “Articles,” “Sections,” “subsections,” “paragraphs,” “clauses” and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of this Master Indenture. The words “herein,” “hereof,” “hereto,” “hereby,” “hereunder” and other words of similar import refer to this Master Indenture as a whole and not to any particular Article, Section or other subdivision.

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

(c) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect from time to time.

(d) The term “money” includes any cash, check, deposit, investment security or other form in which any of the foregoing are held hereunder.

(e) In the computation of a period of time from a specified date to a later specified date, the word “from” means “from and including” and each of the words “to” and “until” means “to but excluding.”

**Section 9.09. Manner of Giving Notices.** All notices, certificates or other communications under the Indenture shall be in writing and shall be deemed given when mailed by first class United States mail, postage prepaid, or when sent by facsimile transmission or electronic mail, addressed as follows: if to the State, to Colorado State Treasurer, 140 State Capitol, Denver, CO 80203, Attention: Deputy State Treasurer, facsimile number: 303-866-2123, electronic mail address: [eric.rothaus@state.co.us](mailto:eric.rothaus@state.co.us), with a copy to Colorado State Controller, 633 Seventeenth Street, Suite 1500, Denver, Colorado 80203, Attention: David J. McDermott, facsimile number: 303-866-4233, electronic mail address:

[david.mcdermott@state.co.us](mailto:david.mcdermott@state.co.us); if to the Trustee, to Zions First National Bank, 1001 Seventeenth Street, Suite 1050, Denver, Colorado 80202, Attention: Corporate Trust Services, facsimile number: 720-947-7480, electronic mail address: [corporatetrust@zionsbank.com](mailto:corporatetrust@zionsbank.com); and if to any Sublessee, to the notice address set forth in such Sublessee's Sublease. Any notice party may, by written notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

**Section 9.10. No Individual Liability.** All covenants, stipulations, promises, agreements and obligations of the Trustee, as the case may be, contained in the Indenture shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Trustee and not of any member, director, officer, employee, servant or other agent of the Trustee in his or her individual capacity. No recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the Trustee or any natural person executing the Indenture or any related document or instrument; provided, however, that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

**Section 9.11. Events Occurring on Days that are not Business Days.** If the date for making any payment or the last day for performance of any act or the exercising of any right under the Indenture is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in the Indenture.

**Section 9.12. Legal Description of Land Included in Leased Property.** The legal description of the land included in the Leased Property subject to the 2009A Lease is set forth in Appendix B to the Series 2009A Supplemental Indenture. As additional Leased Property is leased pursuant to a Lease other than the 2009A Lease, legal descriptions of the land included in such additional Leased Property will be set forth in such Lease and in the Supplemental Indenture with the same Series designation as such Lease. If the land included in the Leased Property subject to a Lease is modified pursuant to the terms of such Lease or other land is substituted for land included in Leased Property subject to any Lease pursuant to the terms of such Lease, the legal descriptions set forth in the applicable Supplemental Indenture will be amended to describe the land included in such Leased Property after such modification or substitution.

**Section 9.13. Severability.** In the event that any provision of the Indenture, other than the placing of the Trust Estate in trust, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**Section 9.14. Applicable Law.** The laws of the State and rules and regulations issued pursuant thereto, as the same may be amended from time to time, shall be applied in the interpretation, execution and enforcement of the Indenture. Any provision of the Indenture, whether or not incorporated in the Indenture by reference, which provides for arbitration by an extra-judicial body or person or which is otherwise in conflict with said laws, rules and regulations shall be considered null and void. Nothing contained in any provision hereof or

incorporated in the Indenture by reference which purports to negate this Section in whole or in part shall be valid or enforceable or available in any action at law whether by way of complaint, defense or otherwise. Any provision rendered null and void by the operation of this Section will not invalidate the remainder of the Indenture to the extent that the Indenture is capable of execution. At all times during the performance of the Indenture, the Trustee shall strictly adhere to all applicable federal and State laws, rules and regulations that have been or may hereafter be established.

**Section 9.15. Execution in Counterparts.** This Master Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Trustee has executed this Master Indenture as of the date first above written.

ZIONS FIRST NATIONAL BANK, as Trustee

By \_\_\_\_\_  
Authorized Signatory

[Signature Page to Master Indenture]



## **APPENDIX A**

### **FORM OF PROJECT ACCOUNT REQUISITION**

[The form of Project Account Requisition attached to the Master Indenture has been removed from the form of Master Indenture attached to the Official Statement because it has been amended and restated in its entirety by the form of Project Account Requisition attached to the form of Series 2011G Supplemental Indenture attached to the Official Statement.]

## **APPENDIX B**

### **LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED PROPERTY**

[The legal descriptions attached to the Master Indenture have been removed from the form of Master Indenture attached to the Official Statement. Copies of such legal descriptions are available as described in “INTRODUCTION–Other Information” in the body of this Official Statement.]

## **APPENDIX C**

### **GLOSSARY**

[The Glossary attached to the Master Indenture has been removed from the form of Master Indenture attached to the Official Statement because it has been amended and restated in its entirety by the form of Glossary attached to the form of Series 2012H Supplemental Indenture attached to the Official Statement.]

After recording return to:  
Michael R. Johnson  
Kutak Rock LLP  
1801 California Street, Suite 3100  
Denver, Colorado 80202

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**STATE OF COLORADO  
BUILDING EXCELLENT SCHOOLS TODAY  
SERIES 2012H SUPPLEMENTAL TRUST INDENTURE**

by

**ZIONS FIRST NATIONAL BANK,**  
as Trustee

authorizing

**State of Colorado  
Building Excellent Schools Today  
Certificates of Participation  
Tax-Exempt Series 2012H**

Dated as of December 6, 2012

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**STATE OF COLORADO  
BUILDING EXCELLENT SCHOOLS TODAY  
SERIES 2012H SUPPLEMENTAL TRUST INDENTURE**

This State of Colorado Building Excellent Schools Today Series 2012H Supplemental Trust Indenture (this “Series 2012H Supplemental Indenture”) is dated as of December 6, 2012, and is executed and delivered by Zions First National Bank, a national banking association duly organized and validly existing under the laws of the United States, as trustee for the benefit of the Owners of the Certificates (the “Trustee”). *Capitalized terms used but not defined herein have the meanings assigned to them in the Glossary attached to the State of Colorado Building Excellent Schools Today Master Trust Indenture dated as of August 12, 2009, as such Glossary is amended, supplemented and restated by Appendix D hereto and as it may be further amended, supplemented and restated from time to time.*

RECITALS

The Master Indenture has been executed and delivered to provide for the issuance and payment of and security for Certificates. This Series 2012H Supplemental Indenture is a Supplemental Indenture and is being executed to provide additional terms applicable to the Series 2012H Certificates.

AGREEMENT

The Trustee hereby declares for the benefit of the Owners as follows:

**ARTICLE I**

**SERIES 2012H CERTIFICATES**

**Section 1.01. Authorization and Name.** The following Certificates shall be executed and delivered pursuant to the Act, the Master Indenture and this Series 2012H Supplemental Indenture: State of Colorado Building Excellent Schools Today Certificates of Participation, Tax-Exempt Series 2012H.

**Section 1.02. Principal Amounts, Dated Dates, Maturity Dates and Interest.**

(a) The Series 2012H Certificates are hereby designated as Tax-Exempt Certificates.

(b) The aggregate principal amount of the Series 2012H Certificates shall be \$195,965,000.

(c) The Authorized Denominations of the Series 2012H Certificates are \$5,000 and any integral multiple thereof.

(d) The Series 2012H Certificates executed and delivered on the date the Series 2012H Certificates are first executed and delivered shall be dated the date they are

originally executed and delivered and shall bear interest from such date. Any Series 2012H Certificate executed and delivered upon transfer and exchange of another Series 2012H Certificate shall be dated as of its date of authentication and shall bear interest from the Interest Payment Date next preceding its date of authentication, unless the date of authentication is an Interest Payment Date in which case such Series 2012H Certificate shall bear interest from such Interest Payment Date or unless the date of authentication precedes the first Interest Payment Date in which case such Series 2012H Certificate shall bear interest from the date the Series 2012H Certificates are first executed and delivered.

(e) Interest on the Series 2012H Certificates shall be calculated based on a 360-day year consisting of twelve 30-day months.

(f) The Series 2012H Certificates shall mature on the dates and in the principal amounts, and shall bear interest at the per annum rates, set forth below:

<b><u>Maturity Date</u></b> <b><u>(March 15)</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>
2014	\$1,810,000	2.000%
2015	1,780,000	2.000
2015	2,000,000	4.000
2016	1,895,000	2.000
2016	2,000,000	4.000
2017	2,005,000	2.000
2017	2,000,000	4.000
2018	2,125,000	2.000
2018	2,000,000	4.000
2019	4,245,000	5.000
2020	650,000	2.000
2020	3,805,000	4.000
2021	4,620,000	5.000
2022	2,000,000	2.000
2022	2,850,000	4.000
2023	5,005,000	4.000
2024	2,500,000	2.250
2024	2,705,000	4.000
2025	5,365,000	4.000
2026	2,000,000	2.500
2026	3,580,000	4.000
2027	5,770,000	4.000
2028	6,000,000	4.000
2029	6,240,000	4.000
2030	6,485,000	4.000
2031	6,745,000	4.000
2032	7,010,000	4.000
2035	100,775,000	3.250

### Section 1.03. Redemption.

(a) *Extraordinary Redemption Upon Occurrence of Event of Nonappropriation or Event of Default.* The Series 2012H Certificates shall be redeemed in whole, on such date as the Trustee may determine to be in the best interests of the Owners, upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease, at a redemption price equal to the lesser of (i) the principal amount of the Series 2012H Certificates (with no premium), plus accrued interest to the redemption date; or (ii) the sum of (A) the amount, if any, received by the Trustee from the exercise of remedies under the Leases with respect to the Event of Nonappropriation or the occurrence and continuation of the Event of Default under any Lease that gave rise to such redemption and (B) the other amounts available in the Trust Estate for payment of the redemption price of the Series 2012H Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease, which amounts shall be allocated among the Series 2012H Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease in proportion to the principal amount of each such Certificate, provided that available moneys in any Sinking Fund Account shall be allocated only among Qualified School Construction Certificates that are Sinking Fund Certificates with the same Series designation as such Sinking Fund Account. **The payment of the redemption price of any Series 2012H Certificate pursuant to this redemption provision and any similar redemption provision applicable to any other Certificate shall be deemed to be the payment in full of such Series 2012H Certificate and such other Certificate, and no Owner of any such Series 2012H Certificate or other Certificate redeemed pursuant to this redemption provision or any similar redemption provision applicable to such other Certificate shall have any right to any payment from the Trustee or the State in excess of such redemption price.**

In addition to any other notice required to be given under the Indenture, the Trustee shall, immediately upon the occurrence of an Event of Nonappropriation or an Event of Default under any Lease, notify the Owners of the Series 2012H Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under such Lease (I) that such event has occurred and (II) whether or not the funds then available to it for such purpose are sufficient to pay the redemption price thereof. If the funds then available to the Trustee are sufficient to pay the redemption price of the Series 2012H and other Certificates that are subject to redemption, such redemption price shall be paid as soon as possible. If the funds then available to the Trustee are not sufficient to pay the redemption price of the Series 2012H Certificates and other Certificates that are subject to redemption, the Trustee shall (aa) immediately pay the portion of the redemption price that can be paid from the funds available, net of any funds which, in the judgment of the Trustee, should be set aside to pursue remedies under the Leases; (bb) subject to the applicable provisions of the Indenture, immediately begin to exercise and diligently pursue all appropriate remedies available to it under the Leases in connection with such Event of Nonappropriation or Event of Default; and (cc) pay the remainder of the

redemption price, if any, if and when funds become available to the Trustee from the exercise of such remedies.

(b) **Mandatory Sinking Fund Redemption.** The Series 2012H Certificates maturing on March 15, 2035 are subject to mandatory sinking fund redemption on March 15 of the years and in the principal amounts set forth below at a redemption price equal to the principal amount thereof (with no premium), plus accrued interest to the redemption date. The Series 2012H Certificates maturing on a particular date shall be selected for redemption on each mandatory sinking fund redemption date by lot from all remaining Series 2012H Certificates maturing on such date, rounded to the nearest Authorized Denomination.

<b>Mandatory Sinking Fund Redemption Date (March 15)</b>	<b>Principal Amount</b>
2033	\$35,370,000
2034	32,180,000
2035*	33,225,000

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\* Maturity date

At its option, to be exercised on or before the forty-fifth day next preceding each mandatory sinking fund redemption date, the State may (i) deliver to the Trustee for cancellation any Series 2012H Certificates with the same maturity date as the Series 2012H Certificates subject to such mandatory sinking fund redemption and (ii) receive a credit in respect of its mandatory sinking fund redemption obligation for any Series 2012H Certificates with the same maturity date as the Series 2012H Certificates subject to such mandatory sinking fund redemption which prior to such date have been redeemed (otherwise than by mandatory sinking fund redemption) and cancelled and not theretofore applied as a credit against any mandatory sinking fund redemption obligation. Each Series 2012H Certificate so delivered or previously redeemed shall be credited at the principal amount thereof to the mandatory sinking fund redemption obligation on the mandatory sinking fund redemption dates by lot, and the principal amount of Series 2012H Certificates to be redeemed as part of such mandatory sinking fund redemption on such dates shall be accordingly reduced.

(c) **Optional Redemption.** The Series 2012H Certificates maturing on and after March 15, 2023 are subject to redemption at the option of the State, in whole or in part and if in part in Authorized Denominations from the remaining maturities bearing interest at the same interest rate designated by the State and by lot within any remaining maturity bearing interest at the same interest rate designated for redemption, on any date on and after March 15, 2022, at a redemption price equal to the principal amount of the Series 2012H Certificates to be redeemed (with no premium), plus accrued interest to the redemption date.

**Section 1.04. Form of Certificates.** The Series 2012H Certificates shall be in substantially the form set forth in Appendix A hereto, with such changes thereto not inconsistent with the Indenture, as may be necessary or desirable and approved by the State. Although attached as an appendix for the convenience of the reader, Appendix A is an integral part of this Series 2012H Supplemental Indenture and is incorporated herein as if set forth in full in the body hereof.

## ARTICLE II

### SEPARATE ACCOUNTS AND SUBACCOUNTS FOR EACH SERIES OF CERTIFICATES

**Section 2.01. Creation of Separate Accounts and Subaccounts.** The Trustee shall create the separate accounts and subaccounts in the funds and accounts described below in order to account for the Lease Revenues paid with respect to each Series of Certificates, the proceeds of each Series of Certificates and earnings from the investment of moneys in each such account and subaccount. The name of each such account and subaccount shall include the Series designation of the appropriate Series of Certificates. The following are the separate accounts and subaccounts to be created:

- (a) if the Costs of a Participating K-12 Institution's Project are to be funded from proceeds of more than one Series of Certificates, a separate Project Account for each such Series of Certificates;
- (b) separate accounts of the State Expense Fund and the Rebate Fund;
- (c) separate Sinking Fund Accounts for each Series of Qualified School Construction Certificates; and
- (d) separate subaccounts of the Interest Account, the Principal Account, the Purchase Option Account and the Costs of Issuance Account.

**Section 2.02. Separate Project Accounts.** Notwithstanding any provision of Article III of the Master Indenture, if more than one Project Account is established for the payment of Costs of a Participating K-12 Institution's Project, moneys shall be disbursed from such Project Accounts to pay Costs of the Participating K-12 Institution's Project in the order determined by the State.

## ARTICLE III

### AMENDMENTS TO INDENTURE

**Section 3.01. Amendment of Section 3.01(c)(ii)(A) of the Master Indenture.** Section 3.01(c)(ii)(A) of the Master Indenture is amended to read as follows:

- (A) principal of Qualified School Construction Certificates that are Sinking Fund Certificates shall be payable solely from the Sinking Fund Account

with the same Series designation as such Series of Qualified School Construction Certificates;

**Section 3.02. Amendment of Section 3.02(d)(i) of the Master Indenture.** Section 3.02(d)(i) of the Master Indenture is amended to read as follows:

(i) Moneys held in each Project Account shall be disbursed to the Sublessee for whose Project the Account was established to pay, or reimburse the Sublessee for, Costs of the Project for which such Project Account was established upon receipt of a requisition in substantially the form attached hereto as Appendix A, signed by the Sublessee Representative and the State Representative. If a separate account has been created in the State Expense Fund (A) from which moneys are to be transferred to a Project Account that has been established to pay, or reimburse the Sublessee for, Costs of a Project to the extent moneys in such Project Account are not sufficient to pay, or reimburse the Sublessee for, Costs of such Project and (B) into which future earnings from the investment of moneys in such Project Account and/or other Project Accounts are to be deposited, then, at the written direction of the State, moneys in such Project Account also may be transferred to the Interest Account or the Principal Account of the Certificate Fund in an amount up to the amount of future earnings that are to be deposited into such Project Account.

**Section 3.03. Amendment of Section 3.03 of the Master Indenture.** Section 3.03 of the Master Indenture is amended by adding the following new subsection (d):

(d) **New Subaccounts of Series 2010F Account of State Expense Fund.** The Trustee shall create three new subaccounts within the Series 2010F Account of the State Expense Fund: the State Expense Fund Series 2010F Account Subaccount for Center Joint Consolidated School District No. 26 Account, the State Expense Fund Series 2010F Account Subaccount for School District No. 1 in the County of Adams (MAPLETON 1) and the State Expense Fund Series 2010F Account Subaccount for Akron School District No. R-1. Notwithstanding any other provision hereof:

(i) Future earnings from the investment of moneys in the Project Accounts funded with the proceeds of the 2010C Certificates, the 2010F Certificates, the 2011G Certificates and any additional Tax-Exempt Certificates shall be deposited into the following subaccounts, on a pro rata basis, until the balances in such subaccounts are equal to the amounts indicated: \$482,519.98 into the State Expense Fund Series 2010F Account Subaccount for Center Joint Consolidated School District No. 26, \$32,186.19 into the State Expense Fund Series 2010F Account Subaccount for District No. 1 in the County of Adams (MAPLETON 1) and \$381,312.70 into the State Expense Fund Series 2010F Account Subaccount for Akron School District No. R-1.

(ii) Until the Trustee receives a Completion Certificate for the related Project, moneys in the following subaccounts of the State Expense Fund Series 2010F Account shall be transferred to the following Series 2010F Project Accounts: (A) moneys in the State Expense Fund Series 2010F Account

Subaccount for Center Joint Consolidated School District No. 26 shall be transferred to the Series 2010F Project Account of Center Joint Consolidated School District No. 26 to the extent moneys in such Project Account are not sufficient to pay, or reimburse Center Joint Consolidated School District No. 26 for, Costs of its Project; (B) moneys in the State Expense Fund Series 2010F Account Subaccount for School District No. 1 in the County of Adams (MAPLETON 1) shall be transferred to the Series 2010F Project Account of School District No. 1 in the County of Adams (MAPLETON 1) to the extent moneys in such Project Account are not sufficient to pay, or reimburse School District No. 1 in the County of Adams (MAPLETON 1) Center Joint for, Costs of its Project; and (C) moneys in the State Expense Fund Series 2010F Account Subaccount for Akron School District No. R-1 shall be transferred to the Series 2010F Project Account of Akron School District No. R-1 to the extent moneys in such Project Account are not sufficient to pay, or reimburse Akron School District No. R-1 for, Costs of its Project.

(iii) After the Trustee receives a Completion Certificate for the related Project, the remaining moneys in the subaccount of the State Expense Fund Series 2010F Account for the related district shall be transferred to the Series 2010F Account of the State Expense Fund and shall be used to pay the Costs of any Project or the costs of any capital construction project as defined in the Act that qualify as capital expenditures for federal income tax purposes.

**Section 3.04. Amended and Restated Form of Project Account Requisition.** The form of Project Account Requisition attached as Appendix A to the original Master Indenture, as previously amended, is hereby amended and restated in its entirety in Appendix B hereto.

**Section 3.05. Amended and Restated Glossary.** In accordance with Section 8.01 of the Master Indenture, the Trustee hereby amends, supplements and restates the Glossary as set forth in Appendix D hereto based on the written direction by the State in the Series 2012H Lease and the written certification by the State in the 2012H Lease that, after such amendment, supplement and restatement the Glossary is accurate and that such amendment, supplement and restatement does not materially modify the substantive provisions of the Indenture, the Leases or the Site Leases.

**Section 3.06. References to Sublessees.** In order to accommodate the leasing of Leased Property to the Trustee pursuant to a Site Lease by a Participating K-12 Institution's Chartering Authority, whenever, in the body of the Master Indenture or any appendix to the Master Indenture, except Appendices A and C to the original Master Indenture (which are amended and restated in their entirety pursuant to Section 3.04 and 3.05 hereof), the term "Sublessee" is used to refer to the lessor under a Site Lease, such term shall be replaced with "Site Lessor."

**Section 3.07. Manner of Giving Notices.** The electronic mail address for notices to the State pursuant to Section 9.09 of the Master Indenture is hereby amended to read: [brett.j.johnson@state.co.us](mailto:brett.j.johnson@state.co.us). The electronic mail address and facsimile number for notices to the

Trustee pursuant to Section 9.09 of the Master Indenture are hereby amended to read: [denvercorporatetrust@zionsbank.com](mailto:denvercorporatetrust@zionsbank.com) and 855.547.6178, respectively.

**Section 3.08. Separate Project Accounts.** Section 2.02 of the Series 2010B-C Supplemental Indenture, Section 3.02 of the Series 2010D-F Supplemental Indenture and Section 2.02 of the Series 2011G Supplemental Indenture are amended to read as follows:

Notwithstanding any provision of Article III of the Master Indenture, if more than one Project Account is established for the payment of Costs of a Participating K-12 Institution's Project, moneys shall be disbursed from such Project Accounts to pay Costs of the Participating K-12 Institution's Project in the order determined by the State.

#### ARTICLE IV

#### CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS OF TRUSTEE

The Trustee hereby certifies, represents and agrees that all the certifications, representations and agreements of the Trustee set forth in Section 6.01 of the Master Indenture are true and accurate and makes the same certifications, representations and agreements under this Series 2012H Supplemental Indenture as if set forth in full herein.

#### ARTICLE V

#### MISCELLANEOUS

**Section 5.01. Titles, Headings, Etc.** The titles and headings of the articles, sections and subdivisions of this Series 2012H Supplemental Indenture have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

**Section 5.02. Interpretation and Construction.** This Series 2012H Supplemental Indenture and all terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Series 2012H Supplemental Indenture. For purposes of this Series 2012H Supplemental Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Series 2012H Supplemental Indenture to designated "Articles," "Sections," "subsections," "paragraphs," "clauses" and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of this Series 2012H Supplemental Indenture. The words "herein," "hereof," "hereto," "hereby," "hereunder" and other words of similar import refer to this Series 2012H Supplemental Indenture as a whole and not to any particular Article, Section or other subdivision.

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

(c) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles applicable

to governmental entities and subject to statutory exceptions and modifications, as in effect from time to time.

(d) The term “money” includes any cash, check, deposit, investment security or other form in which any of the foregoing are held hereunder.

(e) In the computation of a period of time from a specified date to a later specified date, the word “from” means “from and including” and each of the words “to” and “until” means “to but excluding.”

### **Section 5.03. Legal Description of Land Included in Leased Property.**

(a) The legal description of the land included in the Leased Property subject to the 2012H Lease is set forth in Appendix C hereto. If the land included in the Leased Property subject to the 2012H Lease is modified pursuant to the terms of the 2012H Lease or other land is substituted for land included in the Leased Property subject to the 2012H Lease pursuant to the terms of the 2012H Lease, the legal description set forth in Appendix C hereto will be amended to describe the land included in the Leased Property subject to the 2012H Lease after such modification or substitution.

(b) The Leased Property subject to the 2012H Lease described in Appendix C hereto, the Leased Property subject to the 2009A Lease described in Appendix B to the Master Indenture and Appendix B to the Series 2009A Supplemental Indenture, the Leased Property subject to the 2010B-C Lease described in Appendix D to the Series 2010B-C Supplemental Indenture, the Leased Property subject to the 2010D-F Lease described in Appendix E to the Series 2010D-F Supplemental Indenture and the Leased Property subject to the 2011G Lease described in Appendix C to the Series 2011G Supplemental Indenture (as well as any additional Leased Property subject to any additional Building Excellent Schools Today Lease Purchase Agreement) are part of the Leased Property that is subject to the Indenture. Accordingly, this Section and Appendix C hereto are amendments to the Master Indenture, the Series 2009A Supplemental Indenture, the Series 2010B-C Supplemental Indenture, the Series 2010D-F Supplemental Indenture and the Series 2011G Supplemental Indenture and to the legal description of land included in the Leased Property described in Appendix B to the Master Indenture, Appendix B to the Series 2009A Supplemental Indenture, Exhibit D to the Series 2010B-C Supplemental Indenture, Exhibit E to the Series 2010D-F Supplemental Indenture and Exhibit C to the 2011G Supplemental Indenture; and the Leased Property subject to the Master Indenture, the 2009A Supplemental Indenture, the Series 2010B-C Supplemental Indenture, the Series 2010D-F Supplemental Indenture, the Series 2011G Supplemental Indenture and this Series 2012H Supplemental Indenture include all of (i) the property described in Appendix B to the Master Indenture and Appendix B to the Series 2009A Supplemental Indenture, (ii) the property described in Appendix D to the Series 2010B-C Supplemental Indenture, (iii) the property described in Appendix E to the Series 2010D-F Supplemental Indenture, (iv) the property described in Appendix C to the Series 2011G Supplemental Indenture and (v) the property described in Appendix C hereto.

**Section 5.04. Execution in Counterparts.** This Series 2012H Supplemental Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**Section 5.05. Incorporation of Certain Miscellaneous Provisions of Master Indenture.** The provisions of Sections 9.02, 9.03, 9.04, 9.05, 9.06, 9.09, 9.10, 9.11, 9.13 and 9.14 of the Master Indenture shall apply to this Series 2012H Supplemental Indenture as if set forth in full herein.

IN WITNESS WHEREOF, the Trustee has executed this Series 2012H Supplemental Indenture as of the date first above written.

ZIONS FIRST NATIONAL BANK, as Trustee

By \_\_\_\_\_  
Authorized Signatory

[Signature Page to Series 2012H Supplemental Indenture]

STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER )

The foregoing instrument was acknowledged before me this 5<sup>th</sup> day of December, 2012 by Stephanie Nicholls, as an authorized signatory of Zions First National Bank.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[SEAL]

\_\_\_\_\_  
Notary Public

My commission expires:

\_\_\_\_\_

**APPENDIX A**

**FORM OF SERIES 2012H CERTIFICATE**

*Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Trustee or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner thereof, Cede & Co., has an interest herein.*

No. R-\_\_\_\_ \$\_\_\_\_\_

**STATE OF COLORADO  
BUILDING EXCELLENT SCHOOLS TODAY  
CERTIFICATES OF PARTICIPATION  
TAX-EXEMPT SERIES 2012H**

<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Delivery Date</b>	<b>CUSIP</b>
_____%	March 15, 20__	December 6, 2012	_____

REGISTERED OWNER:   \*\*CEDE & CO.\*\*  
Tax Identification Number: 13-2555119

PRINCIPAL SUM:       \*\*\_\_\_\_\_ DOLLARS\*\*

THIS CERTIFIES THAT the registered owner specified above, or registered assigns, has an undivided interest in rights to receive certain amounts payable by the State of Colorado (the "State") under the State of Colorado Building Excellent Schools Today Series 2009A Lease Purchase Agreement dated August 12, 2009, the State of Colorado Building Excellent Schools Today Series 2010B-C Lease Purchase Agreement dated as of March 16, 2010, the State of Colorado Building Excellent Schools Today Series 2010D-F Lease Purchase Agreement dated December 16, 2010, the State of Colorado Building Excellent Schools Today Series 2011G Lease Purchase Agreement dated December 8, 2011, the State of Colorado Building Excellent Schools Today Series 2012H Lease Purchase Agreement dated December 6, 2012 and any other Building Excellent Schools Today Lease Purchase Agreement executed and delivered pursuant to the below-defined Indenture (collectively, the "Leases") by and between Zions First National Bank, Denver, Colorado, in its capacity as trustee under the Indenture (the "Trustee"), as lessor, and the State, acting by and through the State Treasurer, as lessee. The interest of the registered owner of this certificate is secured as provided in the State of Colorado Building Excellent

Schools Today Master Trust Indenture dated as of August 12, 2009 (the “Master Indenture”) by the Trustee, as amended and supplemented by the State of Colorado Building Excellent Schools Today Series 2009A Supplemental Trust Indenture dated as of August 12, 2009 (the “Series 2009A Supplemental Indenture”) by the Trustee, by the State of Colorado Building Excellent Schools Today Series 2010B-C Supplemental Trust Indenture dated as of March 16, 2010 by the Trustee (the “Series 2010B-C Supplemental Indenture”), by the State of Colorado Building Excellent Schools Today Series 2010D-F Supplemental Indenture dated as of December 16, 2010 (the “Series 2010D-F Supplemental Indenture”), by the State of Colorado Building Excellent Schools Today Series 2011G Supplemental Indenture dated as of December 8, 2011 (the “Series 2011G Supplemental Indenture”), the State of Colorado Building Excellent Schools Today October 2012 Supplemental Trust Indenture dated as of October 30, 2012 by the Trustee (the “October 2012 Supplemental Indenture”) and by the State of Colorado Building Excellent Schools Today Series 2012H Supplemental Indenture dated as of December 6, 2012 (the “Series 2012H Supplemental Indenture”; the Master Indenture, as amended and supplemented by the Series 2009A Supplemental Indenture, the Series 2010B-C Supplemental Indenture, the Series 2010D-F Supplemental Indenture, the Series 2011G Supplemental Indenture, the October 2012 Supplemental Trust Indenture and the Series 2012H Supplemental Indenture, is referred to as the “Indenture”). Pursuant to the Indenture, certain rights of the Trustee as lessor under the Leases and certain rights of the Trustee in the property leased by the Trustee, as lessor, to the State, as lessee, pursuant to the Leases have been placed in trust for the benefit of the registered owners (the “Owners”) of the State of Colorado Building Excellent Schools Today Certificates of Participation Tax-Exempt Series 2012H (the “Series 2012H Certificates”) and other Certificates issued pursuant to the Indenture (collectively, “Certificates”) evidencing undivided interests in the right to receive amounts payable by the State under the Leases. Capitalized terms used but not defined herein have the meaning assigned to them in the Glossary attached to the Master Indenture, as such Glossary has been amended, supplemented and restated by the Glossary attached to the Series 2012H Supplemental Indenture and as it may be further amended, supplemented and restated from time to time.

### **Payment of Principal and Interest**

The principal of and premium, if any, on this certificate shall be payable to the Owner as shown on the registration records of the Trustee upon maturity or prior redemption of this certificate and upon presentation and surrender at the Operations Center of the Trustee. Payment of interest at the interest rate set forth above is payable each March 15 and September 15, commencing September 15, 2013 (each, an “Interest Payment Date”), by check or draft of the Trustee mailed on or before such Interest Payment Date to the Owner of this certificate at its address as it last appears on the registration records of the Trustee at the close of business on the Record Date, which is the first day of the calendar month in which such interest is payable (whether or not a Business Day). Any such interest not so timely paid shall cease to be payable to the person who is the Owner of this certificate at the close of business on the Record Date and shall be payable to the person who is the Owner of this certificate at the close of business on a Special Record Date for the payment of such defaulted interest. Such Special Record Date shall be fixed by the Trustee whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given by the Trustee to the Owners of the Certificates, not less than ten days prior to the Special Record Date, by first-class mail to each such Owner as shown on the Trustee’s registration records on a date selected by the Trustee,

stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. Alternative means of payment of interest may be used if mutually agreed to in writing between the Owner of this certificate and the Trustee.

### **Base Rent and Additional Rent; Termination of Leases**

Under the Leases, the Leased Property has been leased by the Trustee to the State; and the State has agreed, subject to the terms of the Leases, to pay directly to the Trustee Base Rent in consideration for its right to use the Leased Property, which Base Rent is part of the Trust Estate. In addition to the Base Rent, the State has agreed, subject to the terms of the Leases, to make certain other payments as Additional Rent with respect to costs and expenses incurred by the State in performing its obligations under the Leases other than its obligations with respect to Base Rent and the State's Purchase Option Price.

The Lease Term of each Lease is the Initial Term commencing on the date such Lease is executed and delivered and ending on June 30 of that Fiscal Year and successive one year Renewal Terms, subject to the provisions described below. The Lease Term of each Lease shall expire upon the earliest of any of the following events: (a) the last day of the month in which the final Base Rent payment is scheduled to be paid in accordance with such Lease; (b) June 30 of the Initial Term or June 30 of any Renewal Term during which, in either case, an Event of Nonappropriation has occurred; (c) the purchase of all the Leased Property subject to such Lease by the State pursuant to such Lease; or (d) termination of such Lease following an Event of Default in accordance such Lease.

Upon termination of the Lease Term of a Lease, all unaccrued obligations of the State under such Lease shall terminate, but all obligations of the State that have accrued thereunder prior to such termination shall continue until they are discharged in full; and if the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default, the State's right to possession of the Leased Property thereunder shall terminate and (i) the State shall, within 90 days, vacate the Leased Property; and (ii) if and to the extent the Colorado General Assembly has appropriated funds for payment of Rent payable during, or with respect to the State's use of the Leased Property during, the period between termination of the Lease Term and the date the Leased Property is vacated pursuant to clause (i), the State shall pay Base Rent to the Trustee and Additional Rent to the Person entitled thereto. If the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default, the Trustee will be entitled to exercise certain remedies with respect to the Leased Property.

### **Redemption of Series 2012H Certificates**

[INSERT REDEMPTION PROVISIONS FROM SUPPLEMENTAL INDENTURE;  
HEADINGS BOLD ITALICS AND INDENTED]

#### ***Notice of Redemption***

Notice of the call for any redemption, identifying the Series 2012H Certificates or portions thereof to be redeemed and specifying the terms of such redemption, shall be given by

the Trustee by mailing a copy of the redemption notice by United States first class mail, at least 30 days prior to the date fixed for redemption, and to the Owner of each Certificate to be redeemed at the address shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings of any Series 2012H Certificates as to which no such failure has occurred. Any notice mailed as provided in the Indenture shall be conclusively presumed to have been duly given, whether or not the Owner receives the notice. If at the time of mailing of notice of redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Series 2012H Certificates called for redemption, which moneys are or will be available for redemption of Series 2012H Certificates, such notice will state that it is conditional upon the deposit of the redemption moneys with the Trustee not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

### **Supplements to Indenture**

The Indenture permits supplements to the Indenture by the Trustee with the approval of the State and the Owners of not less than a majority or, in certain instances, 100% in aggregate principal amount of the Certificates at the time Outstanding, as defined in the Indenture. The Indenture also contains provisions permitting the Trustee to execute supplements to the Indenture with the consent of the State but without the consent of the Owners of the Certificates for certain purposes, including, without limitation, the execution and delivery of additional Series of Certificates.

### **Amendments of Leases and Site Leases**

The Indenture permits amendments to the Leases or the Site Leases with the approval of the Owners of not less than a majority or, in certain instances, 100% in aggregate principal amount of the Certificates at the time Outstanding, as defined in the Indenture. The Indenture also contains provisions permitting amendments to the Leases or the Site Leases without the consent of the Owners of the Certificates for certain purposes, including without limitation, the execution and delivery of additional Series of Certificates.

### **Additional Certificates**

The Master Indenture permits the execution and delivery of additional Series of Certificates secured by the Trust Estate on parity with the Outstanding Certificates, without notice to or approval of the owners of the Outstanding Certificates, as directed by the State and upon satisfaction of certain conditions, all as provided in the Master Indenture. If any additional Series of Certificates are executed and delivered, an existing Lease must be amended or an additional Lease must be entered by the State to include as Leased Property thereunder such additional Leased Property, if any, as may be leased by the State in connection with the execution and delivery of such additional Series of Certificates.

### **Miscellaneous**

THE INDENTURE CONSTITUTES THE CONTRACT BETWEEN THE REGISTERED OWNER OF THIS CERTIFICATE AND THE TRUSTEE. THIS CERTIFICATE IS ONLY EVIDENCE OF SUCH CONTRACT AND, AS SUCH, IS SUBJECT

IN ALL RESPECTS TO THE TERMS OF THE INDENTURE, WHICH SUPERSEDES ANY INCONSISTENT STATEMENT IN THIS CERTIFICATE.

No provision of the Certificates, the Indenture, any Lease, any Sublease, any Matching Moneys Bond or any other document or instrument shall be construed or interpreted (a) to directly or indirectly obligate the State to make any payment in any Fiscal Year in excess of amounts appropriated for such Fiscal Year; (b) as creating a debt or multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the State within the meaning of Article XI, Section 6 or Article X, Section 20 of the Colorado Constitution or any other constitutional or statutory limitation or provision; (c) as a delegation of governmental powers by the State; (d) as a loan or pledge of the credit or faith of the State or as creating any responsibility by the State for any debt or liability of any person, company or corporation within the meaning of Article XI, Section 1 of the Colorado Constitution; or (e) as a donation or grant by the State to, or in aid of, any person, company or corporation within the meaning of Article XI, Section 2 of the Colorado Constitution.

This certificate is issued with the intent that the laws of the State of Colorado shall govern its legality, validity, enforceability and construction.

This certificate shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture, unless it shall have been manually signed on behalf of the Trustee.

IN WITNESS WHEREOF, this certificate has been executed with the manual signature of an authorized signatory of the Trustee as of the date specified above.

ZIONS FIRST NATIONAL BANK, as Trustee

By \_\_\_\_\_  
Authorized Signatory

**ASSIGNMENT**

(The Trustee may require the payment, by the Owner of any certificate requesting transfer, of any reasonable charges, as well as any taxes, transfer fees or other governmental charges required to be paid with respect to such transfer.)

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ the within certificate and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within certificate on the records kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
NOTICE: The signature to this Assignment must correspond with the name as written on the face of the within certificate in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed by a Member of a Medallion Signature Program:

\_\_\_\_\_

Address of transferee:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Social Security or other tax identification number of transferee:

\_\_\_\_\_

## APPENDIX B

### FORM OF PROJECT ACCOUNT REQUISITION

Zions First National Bank  
1001 Seventeenth Street, Suite 850  
Denver, Colorado 80202  
Attention: Corporate Trust Services

**State of Colorado  
Building Excellent Schools Today  
Master Trust Indenture  
dated as of August 12, 2009**

Ladies and Gentlemen:

This Project Account Requisition is delivered by the Participating K-12 Institution identified below (the “Participating K-12 Institution”) and the State of Colorado, acting by and through the State Treasurer (the “State”), to Zions First National Bank in its capacity as trustee (the “Trustee”) under the State of Colorado Building Excellent Schools Today Master Trust Indenture dated as of August 12, 2009, as supplemented and amended by the Building Excellent Schools Today Series 2009A Supplemental Trust Indenture dated as of September 12, 2009, the Building Excellent Schools Today Series 2010B-C Supplemental Trust Indenture dated as of March 16, 2010, the Building Excellent Schools Today Series 2010D-F Supplemental Trust Indenture dated as of December 16, 2010, the Building Excellent Schools Today Series 2011G Supplemental Trust Indenture dated as of December 8, 2011, the State of Colorado Building Excellent Schools Today October 2012 Supplemental Trust Indenture dated as of October 30, 2012 by the Trustee and the Building Excellent Schools Today Series 2012H Supplemental Trust Indenture dated as of December 6, 2012 and as it may be further supplemented or amended from time-to-time by Supplemental Indentures or otherwise (the “Master Indenture”). Capitalized terms used but not defined herein have the meanings assigned to them in the Master Indenture.

The Participating K-12 Institution and the State, in accordance with the Master Indenture and the Participating K-12 Institution’s Sublease, hereby requisitions the dollar amount described below from the Project Account identified below to pay, or reimburse the Participating K-12 Institution for the payment of, Costs of the Project for which such Project Account was established.

#### **Representations of State and Participating K-12 Institution.**

1. The State and, if the Participating K-12 Institution is a Sublessee under a Sublease, the Participating K-12 Institution, each represent that, if this Requisition is the first requisition for a withdrawal from the Participating K-12 Institution’s Project Account, the Trustee has previously received, or this Requisition is accompanied by, a standard leasehold title insurance policy, an amendment or supplement to a previously issued standard leasehold title insurance policy or a commitment to issue such a policy,

amendment or supplement, which, when considered together with policies or amendments or supplements to policies previously received by the Trustee, insure(s) the Trustee's interest in the real estate included in the Leased Property leased to the Participating K-12 Institution under its Sublease, and if all or any portion of the Trustee's title to the real estate included in such Leased Property is a leasehold interest, then also insuring the title of the fee owner of such real estate, subject only to Permitted Encumbrances, in an amount that is not less than the lesser of (a) the Fair Market Value of the Sublessee's Leased Property or (b) the amount required to support the certification of the State with respect to the Series of Certificates from which such Sublessee's Project Account was funded pursuant to Section 2.09(d)(i) of the Master Indenture.

2. The State and the Participating K-12 Institution represent that the Participating K-12 Institution has entered into or has a reasonable expectation that it will enter into one or more Project Contracts that comply with the Public School Capital Construction Guidelines for substantially all the Work required to complete the Project.

3. The State and the Participating K-12 Institution represent that the total amount withdrawn from the Participating K-12 Institution's Project Account pursuant to this Requisition and all previous requisitions does not exceed the amount of proceeds of Certificates and Allocated Investment Earnings deposited into such Project Account pursuant to the Master Indenture.

**Representations of Participating K-12 Institution.** The Participating K-12 Institution represents that:

(a) This Requisition is not for an amount that the Participating K-12 Institution does not intend to pay to a Contractor or material supplier because of a dispute or other reason.

(b) If the Participating K-12 Institution is a Sublessee under a Sublease, (i) title to all Work to be paid for with moneys withdrawn pursuant to this Requisition will pass to the Trustee no later than the time of payment; and (ii) if the moneys withdrawn pursuant to this Requisition are to be used to pay for materials or equipment, the materials or equipment have already been delivered and title thereto has already been transferred to the Trustee.

(c) If the moneys withdrawn pursuant to this Requisition are to be used to pay, or to reimburse the Participating K-12 Institution for the payment of, Costs of the Project incurred in connection with the acquisition of any real estate included in or to be added to the Leased Property: (i) the Trustee owns such real estate or a leasehold interest in such real estate free and clear of encumbrances other than Permitted Encumbrances and (ii) the Fair Market Value of such real estate is at least equal to the amount of money to be withdrawn.

(d) If this Requisition is for the final installment of the Costs of the Project, a Certificate of Completion has been delivered to or is being delivered with this Requisition to the State and the Trustee.

(e) If the Participating K-12 Institution's Sublease is in full force and effect and no Event of Default or Event of Nonappropriation has occurred and is continuing thereunder; and, if the Participating K-12 Institution has delivered a Matching Moneys Bond to the State, such Matching Moneys Bond is in full force and effect and the Participating K-12 Institution has paid all amounts due under, and is not otherwise in default with respect to any of its obligations with respect to, such Matching Money Bond.

**Representations of State.** The State represents that no Event of Default or Event of Nonappropriation has occurred and is continuing under any Lease.

PROJECT ACCOUNT CERTIFICATE SERIES: \_\_\_\_\_

NAME OF PARTICIPATING K-12 INSTITUTION:

\_\_\_\_\_

TOTAL DOLLAR AMOUNT REQUESTED PURSUANT TO THIS REQUISITION:

\_\_\_\_\_

The Trustee is hereby directed to mail checks in the amounts to the payees, and to deliver an IRS Form 1099 for the total amount paid to each such payee pursuant to this Requisition and other Requisitions during each calendar year, at the addresses shown in the Payment Schedule attached hereto.

The undersigned hereby certifies that he/she is, as appropriate, the Sublessee Representative of the Participating K-12 Institution and the State Representative and is authorized to sign and deliver this Requisition to the Trustee pursuant to the Indenture.

BY SUBLESSEE REPRESENTATIVE

\_\_\_\_\_  
Print Name of Sublessee Representative

\_\_\_\_\_  
Signature of Sublessee Representative

STATE OF COLORADO, ACTING BY AND  
THROUGH THE STATE TREASURER

By \_\_\_\_\_  
State Representative

Date: \_\_\_\_\_

**PAYMENT SCHEDULE TO PROJECT ACCOUNT REQUISITION**

<b>Payee</b>	<b>Address</b>	<b>Amount to be Paid</b>
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**APPENDIX C**

**LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED PROPERTY  
SUBJECT TO THE 2012H LEASE**

**Description of the Real Property**

**ELBERT SCHOOL DISTRICT NO. 200**

**Legal Description**

Parcel A

That part of the Southeast 1/4 of the Northeast 1/4 and the Northeast 1/4 of the Southeast 1/4 of Section 34, Township 9 South, Range 64 West of the 6th P.M., particularly described by metes and bounds as follows, to wit:

BEGINNING at the point of intersection between the West line of said Northeast 1/4 of the Southeast 1/4 of said Section and the center line of an East and West public road or highway as now established:

running thence, North on the West line of said two forty acre tracts 446 feet to a stake; thence, East, 358 feet to the center line of a North and South public road or highway as now established (May 4, 1944);

thence, South 1° 30' West, along the center line of said last mentioned road or highway, 165 feet to an angle in said road or highway;

thence, South 20° West, along the center line of said road or highway, 290 feet, more or less, to the intersection of the center lines of said two roads or highways;

thence, South 88° 15' West, along the center line of said first mentioned road or highway, 318 feet, more or less, to the PLACE OF BEGINNING,

EXCEPT that portion of the Southeast 1/4 of the Northeast 1/4 of Section 34, Township 9 South, Range 64 West of the 6th P.M. deeded to D & D Oil Company, Inc. by instrument recorded August 21, 1981 in Book 341 at Page 449, described as follows:

COMMENCING at the Southwest corner of said Southeast 1/4 of the Northeast 1/4;

thence, North along the West line of said Southeast 1/4 of the Northeast 1/4, 281 feet, more or less, to the South line of the Tract conveyed to the School in Book 195 at Page 147;

thence, North 89° 15' 00" East, along the South line of the Tract described in Book 195 at Page 147, and an extension of that line for 277.2 feet to the TRUE POINT OF BEGINNING;

thence, North 89° 15' 00" East for 110.65 feet to the old Road Right of Way; thence, South 01° 30' 00" West along said road Right of Way for 127.78 feet; thence, South 89° 15' 00" West for 111.67 feet;

thence, North 01° 57' 21" East for 127.83 feet to the TRUE POINT OF BEGINNING

County of Elbert,  
State of Colorado.

Parcel B

A parcel of land in the Southeast 1/4 of the Northeast 1/4 of Section 34, Township 9 South, Range 64 West of the 6th P.M., described as:  
COMMENCING at the Southwest corner of the Southeast 1/4 of the Northeast 1/4 of Section 34, Township 9 South, Range 64 West of the 6th P.M.;  
thence, North, 281 feet, more or less, along the West line of said Southeast 1/4 of the Northeast 1/4 to an iron stake, being the POINT OF BEGINNING;  
thence, for quantity North along the West line of said Southeast 1/4 of the Northeast 1/4, 450 feet to a steel pin;  
thence, East at right angles, 271 feet;  
thence, South at right angles, 450 feet;  
thence, West at right angles, 271 feet to the POINT OF BEGINNING,

County of Elbert,  
State of Colorado.

Parcel C

That part of the Northwest 1/4 of the Southeast 1/4 and the Southwest 1/4 of the Northeast 1/4 of Section 34, Township 9 South, Range 64 West of the 6th P.M., described as follows:

BEGINNING at the Southeast corner of said Southwest 1/4 of the Northeast 1/4;  
thence, Northerly along the East line of said Southwest 1/4 of the Northeast 1/4, a distance of 731 feet;  
thence on an angle to the left of 90°, a distance of 200.00 feet;  
thence on an angle to the left of 90°, a distance of 873.00 feet;  
thence on an angle to the left of 90°, a distance of 200.00 feet to a point of intersection with the East line of said Northwest 1/4 of the Southeast 1/4;  
thence, Northerly along said East line, a distance of 142.00 feet, more or less, to the POINT OF BEGINNING,

County of Elbert,  
State of Colorado.

**GENOA-HUGO SCHOOL DISTRICT NO. C-113**

Legal Description

A tract of land being a part of School Addition as annexed to the Town of Hugo in Book 258, Page 296, recorded May 3, 1967 in the records of the Lincoln County Clerk and Recorder, described as follows: a tract of land located in Section 31, Township 10 South, Range 54 West of the 6th P.M., being more particularly described as follows:  
COMMENCING at the southwest corner of said School Addition, being the Point of Beginning N28°36'28"E along said Westerly line of said School Addition, a distance of 409.58 feet; Thence S88°52'14"E a distance of 653.71 feet; Thence S01°07'45"W a distance of 133.20 feet; Thence

S23°00'40"W a distance of 573.77 feet to the northerly right of way line of Highway 40; Thence along said northerly right of way line of Highway 40 on a curve to the right with a radius of 11385.00 feet and an arc length of 697.83 feet to the Point of Beginning.

Above tract contains 8.66 Acres± or 377108.09 Sq. Ft.

### **HI-PLAINS SCHOOL DISTRICT R-23**

#### **Legal Description**

##### **TRACT A:**

A parcel of land located in a portion of the Northeast quarter of Section 3, Township 9 South, Range 49 West of the 6th P.M. in Kit Carson County, Colorado more particularly described as follows:

Commencing from the Northwest corner of the Northeast Quarter of said Section 3, S76°31'02"E a distance of 876.32 feet to a point on the southeasterly right of way line of State Highway 24 being the TRUE POINT OF BEGINNING;

Thence S01°26'14"W a distance of 2447.67 feet; Thence S89°53'31"W a distance of 831.13 feet; Thence N01°12'55"E, a distance of 1578.47 feet; Thence S89°49'00"W a distance of 20.66 feet to a point being the southeast corner of that parcel described at Reception No. 348461 of Kit Carson County records; Thence N02°18'50"E along the east line of said parcel and the east line of a parcel described at Reception No. 282309 of Kit Carson County records, a distance of 788.99 feet to a highway right of way marker on the south line of State Highway 24; Thence N75°06'19"E along the southeasterly right of way line of State Highway 24, a distance of 34.04 feet to the northeast corner of a parcel of land described in Warranty Deed filed July 13, 2006 at Reception No. 200600545121; Thence the following four (4) courses along the boundary of said parcel;

1. S00°57'50"W a distance of 471.50 feet;
2. S89°02'11"E a distance of 224.90 feet;
3. N37°57'49"E a distance of 482.42 feet;
4. N15°02'11"W a distance of 225.46 feet to the northeast corner of said parcel, also being on the southeasterly right of way State Highway 24; Thence N74°54'36"E along the southeasterly right of way line of State Highway 24, a distance of 376.05 feet to the TRUE POINT OF BEGINNING.

Bearings used herein were based on the North line of the NW ¼ being N89°22'12"E, monumented with a 5/8" rebar and 3-1/4" aluminum cap #10586 inside a monument box located at Highway 59 for the Northwest corner and 5/8" rebar with a 3-1/4" dia. aluminum cap #10586 at the North Quarter corner.

### **LAKE COUNTY SCHOOL DISTRICT NO. R-1**

#### **Legal Description**

A portion of land over and across a portion of the Southwest Quarter of Section 23 and the Northwest Quarter of Section 26 in Township 9 South, Range 80 West of the 6th Principal Meridian, lying within Stevens & Leiter's Subdivision of Mineral Survey No. 271, Lake County, Colorado, being more particularly described as follows:

Commencing at the northwest corner of Block 39, said Stevens & Leiter's Subdivision of Mineral Survey No. 271; thence S73°40'00"W (Basis of bearings is the westerly line of Blocks 24 & 39 assumed to bear S16°20'00"E, monumented at it's north end with a #3 Rebar and at it's south end with an illegible monument), 90.00 feet to the northeast corner of Lot 34, Block 40, said point

also being the Point of Beginning; thence S16°20'00"E, 313.00 feet; thence S73°40'00"W, 300.00 feet; thence N16°20'00"W, 193.00 feet to the southwest corner of Lot 23, Block 40; thence N73°40'00"E, 25.00 feet to the southeast corner of said Lot 23; thence N16°20'00"W, 120.00 feet to the northwest corner of Lot 24, Block 40; thence N73°40'00"E, 275.00 feet to the Point of Beginning.

Containing a calculated area of 90,900 square feet (2.09 acres), more or less.

### **MONTEZUMA-CORTEZ SCHOOL DISTRICT RE-1**

#### Legal Description

Lot 3, Schwartz Minor Subdivision, a subdivision of Lot 2, Schwartz Subdivision, a part of s/2 of Section 25, Township 36 North, Range 16 West, N.M.P.M., according to the office of the Clerk and Recorder, recorded May 24, 2005, Plat Book 15 at Page 149 and AMENDED PLAT recorded September 15, 2005, Plat Book 16 at Page 16. Except any portion recorded under Reception Number 518144 and 518145.

Except any portion recorded in Book 495 at Page 252. County of Montezuma, State of Colorado.

### **OTIS SCHOOL DISTRICT NO. R-3**

#### Legal Description

Parcel I:

Original Town of Otis, Colorado

Block 7 - Lots 3-5, inclusive, Lots 9-12, inclusive,

Block 8 - Lots 1-6, inclusive,

According to the recorded plat thereof, filed February 14, 1888 as Reception No. 2294, Plat Book 1 at Page 40 of the records of the County Clerk and Recorder of Washington County, Colorado.

Parcel II:

That part of the Northeast quarter of the Southeast quarter (NE1/4 SE1/4) of Section 9, Township 2 North, Range 50 West of the 6th P.M., Washington County, Colorado, which is described as follows: Commencing at a point 1373.13 feet North of the Southeast corner of said Section 9, and 398.08 feet West, and from thence continuing West parallel to the South line of the said NE1/4 SE1/4 of said Section 9, a distance of 722 feet; thence turning at an interior angle left of 91°20' and continuing North a distance of 603.32 feet; thence turning an interior angle left of 88°40' and continuing East a distance of 722 feet; thence turning an interior angle left 91°20' and continuing South a distance of 603.32 feet to the point of beginning. According to the recorded plat thereof, filed March 15, 1977 as Reception No. 724759, Plat Book 2 at Page 67 of the records of the County Clerk and Recorder of Washington County, Colorado.

Parcel III

That part of Fourth Street lying between Blocks 7 and 8 of the Original Town of Otis, Colorado, more particularly described as follows: Starting at the Northeast corner of Lot 6, Block 7 running thence North a distance of 80 feet to the Southeast corner of Lot 1, Block 8; thence West in the North line of said Fourth Street a distance of 312 feet to the East line of Dungan Avenue; thence South in said East line a distance of 80 feet to the South line of said Fourth Street; thence East in said South line a distance of 312 feet to the point beginning; AND the alley lying between Work Avenue and Dungan Avenue in Block 8 of said Original Town, and extending from the North line of said Fourth Street to the North line of said Block 8.

Parcel IV:

The portion of Third Street in the Original Town of Otis, Colorado, lying between Dungan Avenue and Work Avenue and more particularly described as follows: to-wit: Beginning at the Northeast corner of Lot 12, Block 6 of the Original Town of Otis, thence due North for a distance of 80 feet, thence due West for a distance of 300 feet, thence due South for a distance of 80 feet, thence due East for a distance of 300 feet, back to the place of beginning; AND the alleys in Blocks 6 and 7 in the Original Town of Otis, Colorado, according to the recorded plat thereof.

Parcel V:

Original Town of Otis, Colorado

Block 7 - Lots 1 and 2 & Lots 7 and 8,

According to the recorded plat thereof, filed February 14, 1888 as Reception No. 2294, Plat Book 1 at Page 40 of the records of the County Clerk and Recorder of Washington County, Colorado.

(NOTE: Registered Torrens Land, Certificate #3240, Book 16 at Page 113)

**PLATTE VALLEY SCHOOL DISTRICT NO. RE3**

Legal Description

Commencing from the Northwest corner of Lot 32, Block 26, Town of Ovid recorded at Reception No. 169052 at the Sedgwick County Clerk and Recorder's office in Julesburg, Colorado; N01°21'30"W a distance of 40.0 feet to the Point of Beginning; Thence N01°21'30"W a distance of 39.88 feet to a found corner; Thence S88°54'50"W along the north line of former Clark Ave., a distance of 309.46 feet; Thence S01°06'01"E a distance of 233.34 feet; Thence S88°41'37"W a distance of 155.56 feet; Thence N01°18'23"W a distance of 193.93 feet to the centerline of former Clark Ave.; Thence S88°57'46"W along said centerline, a distance of 153.03 feet to the Point of Beginning.

Above parcel contains 0.98 Acres± or 4254.93 Sq Ft.

**SHERIDAN SCHOOL DISTRICT NO. 2**

Legal Description

That portion of a parcel of land described in Book 2563 at Page 673 of the Arapahoe County, Colorado records described as follows:

Basis of bearings is the north line of the southwest quarter of Section 5, T5S, R68W, of the 6<sup>th</sup> P.M., monumented at its west end with a 3-1/4" Aluminum Cap, LS 13155 and at its east end with a 3-1/4" Aluminum Cap, LS 16109. Said line bears S89°32'00"W, 2640.61 feet.

Commencing at the northeast corner of said parcel, thence S89°32'00"W along the north line of the southwest quarter of said Section 5, a distance of 80.00 feet to the Point of Beginning;

- 1) Thence continuing S89°32'00"W, along the northerly line of said parcel, 904.47 feet;
- 2) Thence along the westerly line of said parcel the following three (3) courses;
  - a. S00°17'16"E, 95.88 feet;
  - b. S39°27'44"W, 21.50 feet;
  - c. S00°23'16"E, 648.50 feet to a point on the southerly line of said parcel;
- 3) Thence S87°36'16"E along said southerly line, 476.60 feet;
- 4) Thence N89°18'57"E, 274.80 feet;
- 5) Thence N00°09'16"W, 199.62 feet;
- 6) Thence N35°43'21"W, 54.12 feet;
- 7) Thence S89°18'57"W, 285.05 feet;
- 8) Thence N01°16'13"W, 123.00 feet;
- 9) Thence N89°18'25"E, 483.33 feet;
- 10) Thence N00°09'16"W, 416.00 feet to the Point of Beginning.

Containing a calculated area of 611,805 square feet (14.045 acres), more or less.

## **WELD COUNTY SCHOOL DISTRICT NO. 6**

### **Legal Description**

A 20 acre tract of land being part of the NW1/4 of Section 28, Township 5 North, Range 66 West of the 6th P.M., City of Evans, County of Weld, State of Colorado, more particularly described as follows:

Commencing at the NW corner of said Section 28 and assuming the North line of the NW1/4 to bear N89°31'10"E, a grid bearing of the Colorado State Plane Coordinate System, North Zone, North American Datum 1983/92, a distance of 2630.69 feet with all other bearings herein relative thereto; N89°31'10"E along the north line of the said NW1/4 of Section 28 a distance of 2008.67 feet to the True Point of Beginning; Thence continuing N89°31'10"E along the north line of the said NW1/4 of Section 28 a distance of 428.51 feet to the northwest corner of a parcel of land described in instrument recorded January 29, 2003 at Reception No. 3027928 of the records of Weld County; the next 2 courses are along the westerly and southerly lines of that parcel of land described in Reception No. 3027928 of the records of Weld County: S00°34'47"E a distance of 248.42 feet; thence S89°41'55"E a distance of 191.21 feet to the east line of the said NW1/4 of Section 28; thence S00°03'05"E along the east line of the said NW1/4 of Section 28 a distance of 1258.28 feet; thence S89°56'55"W a distance of 93.78 feet to a point of curve (PC); thence along the arc of a curve concave to the northeast a distance of 92.19 feet, said curve having a radius of 450.00 feet, a delta of 11 °44' 15" and being subtended by a chord bearing N84°10'58"W a distance of 92.02 feet to a point of tangency (PT); thence N78°18'50"W a distance of 151.97 feet to a PC; thence along the arc of a

curve concave to the southwest a distance of 95.56 feet, said curve having a radius of 450.00 feet, a delta of  $12^{\circ}10'01''$  and being subtended by a chord bearing  $N84^{\circ}23'50''W$  a distance of 95.38 feet to a PT; thence  $S89^{\circ}31'10''W$  a distance of 192.97 feet; thence  $N00^{\circ}03'05''W$  a distance of 1456.38 feet to the north line of the said NW1/4 of Section 28 and the True Point of Beginning, County of Weld, State of Colorado.

Said Parcel contains 20.0 Acres $\pm$  or 871435.12 Sq. Ft.

## APPENDIX D

### GLOSSARY

“*Act*” means the Building Excellent Schools Today Act, part 1 of article 43.7 of title 22, C.R.S., as it may be amended from time to time.

“*Additional Rent*” means (a) when used with respect to amounts payable by the State pursuant to a Lease, the costs and expenses incurred by the State in performing its obligations under such Lease other than its obligations with respect to Base Rent and the State’s Purchase Option Price; and (b) when used with respect to amounts payable by a Participating K-12 Institution pursuant to a Sublease, the costs and expenses incurred by the Participating K-12 Institution in performing its obligations under such Sublease other than its obligations with respect to the Sublessee’s Purchase Option Price under such Sublease and its Matching Moneys obligations (whether in the form of cash, Base Rent, a Matching Moneys Bond and payments thereon or Matching Moneys Installment Payments). Amounts payable by a Participating K-12 Institution pursuant to a Sublease are not included in the Trust Estate.

“*Adverse Federal Direct Payment Event*” means an event that would (a) cause a Taxable Build America Certificate to fail to qualify as a qualified bond within the meaning of Section 54AA(g)(2) of the Code or (b) cause a Taxable Qualified School Construction Certificate to fail to qualify as a qualified tax credit bond within the meaning of Section 54A of the Code and as a qualified school construction bond with the meaning of Section 54F(a) of the Code.

“*Adverse Tax Event*” means:

(a) with respect to a Tax Credit Build America Certificate, an event that would cause the Certificate to fail to qualify as a build America bond within the meaning of Section 54AA(d) of the Code;

(b) with respect to a Taxable Build America Certificate, a Taxable Qualified School Construction Certificate or a Taxable No Tax Credit Certificate, the term Adverse Tax Event shall have no meaning;

(c) with respect to a Tax-Exempt Certificate, an event that would cause interest on the Certificate to be included in gross income for federal income tax purposes or to be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (except, with respect to corporations, as such interest is required to be taken into account in determining “adjusted current earnings” for the purpose of computing the alternative minimum tax imposed on such corporations); and

(d) with respect to a Tax Credit Qualified School Construction Certificate, an event that would cause the Certificate to fail to qualify as a qualified school construction bond within the meaning of Section 54F of the Code.

“*Allocated Investment Earnings*” means, when used with respect to any Project Account, the dollar amount, if any, designated by the State at the time such account is created of investment earnings from the Project Accounts that is to be deposited over time into such Project Account pursuant to Section 3.02(b)(ii) of the Master Indenture.

“*Amortizing Principal*” means the payments of Base Rent by the State pursuant to a Lease that are designated and paid as Amortizing Principal under such Lease.

“*Assistance Board*” means the public school capital construction assistance board created in section 22-43.7-106(1) of the Act.

“*Assistance Fund*” means the public school capital construction assistance fund created in section 22-43.7-104(1) of the Act.

“*Authorized Denominations*” means, with respect to any Series of Certificates, the denominations specified in the Supplemental Indenture authorizing such Series of Certificates.

“*Available Project Proceeds*” with respect to any Series of Qualified School Construction Certificates has the meaning assigned to it in Section 54A of the Code.

“*Available Project Proceeds Expenditure Period*” means, with respect to any Series of Qualified School Construction Certificates, the third anniversary of the date such Series of Qualified School Construction Certificates are originally executed and delivered or, in the event the United States Internal Revenue Service grants an extension of the three year expenditure period, the last day of the extended expenditure period.

“*Base Rent*” means (a) when used with respect to amounts payable by the State pursuant to a Lease, the amounts designated and paid as Base Rent under such Lease; and (b) when used with respect to amounts payable by a Participating K-12 Institution pursuant to a Sublease, the payments, if any, by the Participating K-12 Institution pursuant to such Sublease that are designated and paid as Base Rent under such Sublease. Base Rent payable by Participating K-12 Institutions pursuant to Subleases is not included in the Trust Estate.

“*Base Rent Payment Date*” means, when used with respect to Base Rent payable pursuant to a Lease or Sublease, one of the dates in the “Base Rent Payment Date” column in the Exhibit to such Lease or Sublease that includes the schedule for payment of Base Rent payable pursuant to such Lease or Sublease.

“*Bond Counsel*” means (a) as of the date of execution and delivery of the Series 2012H Certificates, Kutak Rock LLP, and (b) as of any other date, Kutak Rock LLP or such other attorneys selected by the State with nationally recognized expertise in the issuance of municipal securities that qualify as Taxable Build America Certificates, Tax Credit Build America Certificates, School Construction Certificates and Tax-Exempt Certificates.

“*Building Excellent Schools Today Lease Purchase Agreement*” means a lease purchase agreement entered into by the State Treasurer on behalf of the State on the instructions of the Assistance Board to provide financial assistance as defined in the Act to Eligible K-12 Institutions pursuant to section 22-43.7-110(2) of the Act.

“*Business Day*” means any day other than a Saturday, a Sunday or a day on which banks in New York, New York or Denver, Colorado are authorized by law to remain closed.

“*Capital Construction Fund*” means the special fund created by Section 3.02 of the Master Indenture.

“*Certificate Fund*” means the special fund created by Section 3.01 of the Master Indenture.

“*Certificates*” means all the certificates executed and delivered pursuant to the Master Indenture.

“*Charter*” means the charter granted to the charter school by the Chartering School District or other contract between the charter school and the Chartering School District under which the charter school operates.

“*Chartering Authority*” means the school district or State Charter School Institute that has granted or entered into a charter school’s charter.

“*Code*” means the Internal Revenue Code of 1986, as amended, and regulations thereunder.

“*Colorado Recovery Act*” means the Colorado Recovery and Reimbursement Finance Act of 2009, C.R.S. title 11, article 59.7, as it may be amended from time-to-time.

“*Comparable Treasury Issue*” means, with respect to any Series of Certificates, the U.S. Treasury security selected by a Reference Dealer designated by the State as having a maturity comparable to the remaining term to maturity of the Series of Certificates to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Series of Certificates being redeemed.

“*Comparable Treasury Price*” means:

- (a) with respect to the Series 2010B Certificates and any redemption date, (i) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding such redemption date, as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) (or any successor release) that has become publicly available three business days prior to the date of redemption (excluding inflation-indexed securities) or (ii) if such release (or any successor release) is not published or does not contain such prices on such business day, (A) the average of five Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Trustee, or the independent accounting firm or financial advisor retained for such purpose, as applicable, is unable to obtain five such Reference Treasury Dealer Quotations, the average of all such quotations; and

(b) with respect to any Series of Certificates other than the Series 2010B Certificates and any redemption date, (i) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on a day at least three Business Days but no more than 45 Business Days preceding such redemption date, as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) (or any successor release) that has become publicly available prior to the date of redemption (excluding inflation-indexed securities) or (ii) if such release (or any successor release) is not published or does not contain such prices on such Business Day, (A) the average of five Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Trustee or the independent accounting firm or financial advisor retained for such purpose, as applicable, is unable to obtain five such Reference Treasury Dealer Quotations, the average of all such quotations.

“*Completion Certificate*” for each Project is defined in the Sublease of the Participating K-12 Institution for which the Project was financed.

“*Completion Date*” for each Project is defined in the Sublease of the Participating K-12 Institution for which the Project was financed.

“*Contractor*” means any Person who performs Work in connection with a Project.

“*Costs*” or “*Costs of a Project*” means, with respect to each Project, the costs of capital construction (as defined in § 22-43.7-103(6) of the Act) of such Project that are incurred prior to the Completion Date for such Project.

“*Costs of Issuance*” means costs financed with the proceeds of a Series of Certificates (a) that are incurred in connection with the preparation, negotiation, execution and delivery of any Site Lease, Lease, Sublease or Matching Moneys Bond, the Indenture, the Certificates or any other document related thereto and due diligence, title and other nonconstruction costs incurred with respect to the Leased Property and the Projects, including, but not limited to, any fees and expenses of the Trustee, any fees and expenses of any underwriter or financial advisor that provides services in connection with the execution and delivery of any Certificates, costs of environmental assessments or reports and title insurance, legal fees and expenses, costs incurred in obtaining ratings from rating agencies, Certificate insurance premiums, costs of immediately available funds, costs of publication, printing and engraving, accountants’ fees and recording and filing fees; and (b) (i) if proceeds of such Series of Certificates are deposited into one or more Project Accounts, such costs are incurred prior to the last Completion Date for a Project that is to be funded from one of such Project Accounts and (ii) if proceeds of such Series of Certificates are used to defease Certificates pursuant to the Master Indenture, such costs are incurred in connection with the defeasance of such Certificates.

“*Costs of Issuance Account*” means the account of the Capital Construction Fund created by and designated as such in Section 3.02(a) of the Master Indenture.

“*C.R.S.*” means Colorado Revised Statutes, as amended.

“*Defeasance Securities*” means Permitted Investments which are:

- (a) cash;
- (b) U.S. Treasury Certificates, Notes and Bonds, including State and Local Government Series (“SLGs”);
- (c) direct obligations of the U.S. Treasury which have been stripped by the Treasury itself and CATS, TIGRS and similar securities;
- (d) Resolution Funding Corp. (REFCORP): only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form;
- (e) pre-refunded municipal bonds rated “Aaa” by Moody's and “AAA” by S&P; provided that if the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA-rated pre-refunded municipal bonds;
- (f) the following obligations issued by the following agencies if such obligations are backed or guaranteed by the full faith and credit of the United States or the full faith and credit of the United States is pledged for the payment of principal of and interest on such obligations:
  - (i) U.S. Export-Import Bank (Eximbank) direct obligations or fully guaranteed certificates of beneficial ownership;
  - (ii) Farmers Home Administration (FmHA) certificates of beneficial ownership;
  - (iii) Federal Financing Bank;
  - (iv) General Services Administration participation certificates;
  - (v) U.S. Maritime Administration Guaranteed Title XI financing;
  - (vi) U.S. Department of Housing and Urban Development (HUD):
    - (A) Project Notes;
    - (B) Local Authority Bonds;
    - (C) New Communities Debentures—U.S. government guaranteed debentures; and
    - (D) U.S. Public Housing Notes and Bonds—U.S. government guaranteed public housing notes and bonds.

“DTC” means The Depository Trust Company, New York, New York, and its successors in interest and assigns.

“*Eligible K-12 Institution*” means an applicant as defined in the Act.

“*Event of Default*” means (a) when the term is used in any Lease or is used to refer to an event occurring under a Lease, an event described in Section 11.01 of such Lease; (b) when the term is used in a Sublease with respect to Leased Property subject to a Lease or when the term is used in a Sublease to refer to an event occurring under such a Sublease, an event described in Section 11.01 of such Sublease; (c) when the term is used in a Site Lease with respect to Leased Property subject to a Lease or is used to refer to an event occurring under such Site Lease, an event described in Section 10.01 of such Site Lease; and (d) when the term is used in the Indenture, an Event of Default under any Lease.

“*Event of Nonappropriation*” means (a) when the term is used in a Lease, an event described in Section 5.04(b) of such Lease; (b) when the term is used in a Sublease with respect to Leased Property subject to the 2009A Lease or is used to refer to an event occurring under such a Sublease, an event described in Section 5.04(b) of such Sublease; (c) when the term is used in any other Sublease with respect to Leased Property or is used in any other Sublease to refer to an event occurring under such Sublease, an event described in Section 6.04(b) of such Sublease; and (d) when the term is used in the Indenture, an Event of Nonappropriation under any Lease.

“*Failure to Perform*” is defined in Section 7.03 of the Master Indenture.

“*Fair Market Value*” means:

(a) with respect to real property improved pursuant to a Project after the Completion Date for the Project and with respect to Leased Property that is not improved pursuant to a Project: (i) the value of the land included in such property as estimated by the Site Lessor of such property or by the Participating K-12 Institution for which the Project has been or is being financed; *plus* (ii) the replacement value of such property determined by the Colorado School District Self Insurance Pool or other insurer providing casualty and property damage for such property;

(b) with respect to real property that is being improved pursuant to a Project before the Completion Date for the Project: (i) the sum of (A) the value of the land included in such property as estimated by the Site Lessor of such property or by the Participating K-12 Institution for which the Project is being financed; and (B) the replacement value of property to be improved pursuant to the Project determined by the Colorado School District Self Insurance Pool or other insurer providing casualty and property damage for such property, net of any reduction in the value of such property resulting from demolition or other changes to such property in connection with the Project; *plus* (ii) the sum, without duplication, of (A) the amount of proceeds of Certificates deposited and Allocated Investment Earnings deposited or expected to be deposited into the Project Account for the Project; (B) the amount expected to be expended on the Project from the Assistance Fund; (C) the amount previously expended

on the Project from sources other than the Project Account or the Assistance Fund; and (D) the amount expected to be expended on the Project in the future from sources other than the Project Account or the Assistance Fund;

(c) with respect to other property, the price at which a willing seller would sell and a willing buyer would buy such property in an arm's length transaction; and

(d) if Fair Market Value is being determined for a portion of property for which a value is determined pursuant to clauses (a), (b) and/or (c) above, including, for example, where only a portion or none of the property improved pursuant to a Project is included in the Leased Property, the State's determination as to the amount of the value determined pursuant to clauses (a), (b) and/or (c) above that is allocable to the portion of the property for which Fair Market Value is being determined shall be conclusive and binding on all Persons.

*"Federal Direct Payments"* means (a) with respect to Taxable Build America Certificates, payments by the federal government in connection with the interest payable on such Certificates on each Interest Payment Date pursuant to Sections 54AA(g) and 6431 of the Code; and (b) with respect to Taxable Qualified School Construction Certificates, payments by the federal government in connection with the interest payable on each maturity of such Certificates pursuant to Sections 54F and 6431 of the Code.

*"Fiscal Year"* means the State's fiscal year, which begins on July 1 of each year and ends on June 30 of the following year.

*"Force Majeure"* means any event that is not within the control of the State, including, without limitation, acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies or officials or any civil or military authority; insurrection; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; or breakage or accidents affecting machinery, transmission pipes or canals.

*"Glossary"* means this Glossary as it may be amended, supplemented or restated from time to time.

*"Governing Body"* means, (a) when used with respect to a Participating K-12 Institution that is a school district, the Board of Education of such school district; (b) when used with respect to a Participating K-12 Institution that is a charter school, the board of directors or other comparable body of such charter school; and (c) when used with respect to any other Participating K-12 Institution, the legislative body, board of directors or other comparable body of such Participating K-12 Institution.

*"Indenture"* means the Master Indenture and all Supplemental Indentures, collectively.

*"Initial Purchaser"* means the Person who initially purchases a Series of Certificates pursuant to a certificate purchase agreement or otherwise.

“*Initial Term*” means, with respect to each Lease and Sublease, the period commencing on the date the Lease, Sublease is executed and delivered (unless a different commencement date is specifically set forth in such Lease, Sublease) and ending on the following June 30.

“*Interest Account*” means the special account of the Certificate Fund established and designated as such by Section 3.01 of the Master Indenture.

“*Interest Component*” means the rights of the Owner of a Tax Credit Build America Certificate or a Qualified School Construction Certificate to receive interest on such Certificate independently of the right to receive the principal of such Certificate.

“*Interest Payment Date*” (a) has no meaning with respect to the Series 2009A Certificates; (b) means, with respect to the 2010B-C Certificates, March 15 and September 15, commencing on September 15, 2010; (c) means, with respect to the 2010D-F Certificates, March 15 and September 15, commencing September 15, 2011; (d) means, with respect to the 2011G Certificates, March 15 and September 15, commencing March 15, 2012; (e) means, with respect to the 2012H Certificates, March 15 and September 15, commencing September 15, 2013; and (f) means, with respect to other Certificates, unless this definition is amended at or prior to the execution and delivery of such other Certificates, March 15 and September 15, commencing on the first such date that is at least 75 days after the original dated date of such Certificates.

“*Interest Strip*” means an instrument evidencing the right to receive the interest on a Tax Credit Qualified School Construction Certificate or Tax Credit Build America Certificate independently of the right to receive the tax credit available to the owner of, and the principal of, such Qualified School Construction Certificate or Tax Credit Build America Certificate.

“*Land*” means (a) with respect to the land included in the Leased Property, the land described in Exhibit A to such Lease, subject to the terms of such Lease relating to modifications and substitutions of Leased Property; (b) with respect to land included in a Participating K-12 Institution’s Leased Property under a Sublease, the land described in Exhibit B to such Sublease, subject to the terms of such Sublease relating to modifications and substitutions of Leased Property; and (c) with respect to the land included in a Site Lessor’s Leased Property under a Site Lease, the land described in Exhibit A to such Site Lease, subject to the terms of such Site Lease relating to modifications and substitutions of Leased Property.

“*Lease*” means (a) when the term is used in a particular Building Excellent Schools Today Lease Purchase Agreement to refer to “this Lease,” the particular Building Excellent Schools Today Lease Purchase Agreement in which the term is used; (b) when the term is used in the Indenture or another document other than a Building Excellent Schools Today Lease Purchase Agreement and is not preceded by the Series designation of the Lease, any of the Building Excellent Schools Today Lease Purchase Agreements, revenues from which are to be used to pay principal of, premium, if any, and interest on Certificates; and (c) when the terms is preceded by the Series designation of the Lease, the Building Excellent Schools Today Lease Purchase Agreement with that Series designation.

“*Lease Revenues*” means, (a) with respect to each Lease: (i) the Base Rent; (ii) Federal Direct Payments, if any, with respect to the interest component of Base Rentals paid to the Trustee pursuant to a Lease; (iii) the State’s Purchase Option Price, if paid (including any Net Proceeds applied to the payment of the State’s Purchase Option Price pursuant to a Lease); (iv) earnings on moneys on deposit in the Certificate Fund, the Capital Construction Fund and the State Expense Fund (but not the Rebate Fund or any defeasance escrow account); and (v) any other moneys to which the Trustee may be entitled for the benefit of the Owners; and (b) with respect to other Leases, similar amounts with respect thereto. Lease Revenues does not include amounts payable by any Participating K-12 Institution under a Sublease or amounts payable under any Matching Moneys Bond.

“*Lease Term*” means the period of time during which a Lease is in force and effect, as set forth in Section 3.01 of such Lease.

“*Leased Property*” means (a) when the term is used in a particular Lease or to refer to property leased pursuant to a particular Lease, the Land and the buildings, structures and improvements now or hereafter located on such Land (including any fee interest, leasehold estate or other interest therein) that are leased by the Trustee to the State pursuant to such Lease, subject to the terms of such Lease relating to modifications and substitutions of Leased Property; (b) when the term is used in a particular Sublease, the Land and the buildings, structures and improvements now or hereafter located on such Land (including any fee interest, leasehold estate or other interest therein) that are subleased to the Sublessee pursuant to the Sublease, subject to the terms of such Sublease relating to modifications and substitutions of Leased Property; (c) when the term is used in a particular Site Lease, the Land and the buildings, structures and improvements located on such Land (including any fee interest, leasehold estate or other interest therein) that are leased by the Site Lessor to the Trustee pursuant to such Site Lease; (d) when the term is used together with a possessive reference to a particular Sublessee or Site Lessor, the Land and the buildings, structures and improvements now or hereafter located on such Land (including any fee interest, leasehold estate or other interest therein) leased to such Sublessee under a Sublease or leased by such Site Lessor under a Site Lease; and (e) when the term is used in other contexts, all the property (including any fee interest, leasehold estate or other interest therein and the Land and the building, structures and improvements now or hereafter located on such Land) leased to the State pursuant to all the Leases, subject to the terms of the Leases relating to modifications and substitutions of Leased Property.

“*Master Indenture*” means the State of Colorado Building Excellent Schools Today Master Trust Indenture dated as of August 12, 2009 by the Trustee, as it has been supplemented and amended by the Series 2009A Supplemental Indenture, the Series 2010B-C Supplemental Indenture, the Series 2010D-F Supplemental Indenture, the Series 2011G Supplemental Indenture, the October 2012 Supplemental Indenture and the Series 2012H Supplemental Indenture and as it may be further supplemented and amended from time-to-time by a Supplemental Indenture or otherwise.

“*Matching Moneys*” has the meaning assigned to it in the Act.

“*Matching Moneys Bond*” means any bond issued by and delivered to the State to satisfy a Participating K-12 Institution’s obligation to pay Matching Moneys with respect to its Project.

“*Matching Moneys Installment Payments*” means periodic payments by a Participating K-12 Institution designated as Matching Moneys Installment Payments in a Sublease that the Participating K-12 Institution has agreed to pay to satisfy the Participating K-12 Institution’s obligation to pay Matching Moneys with respect to its Project.

“*Moody’s*” means Moody’s Investor Service and its successors and assigns.

“*Net Proceeds*” means the gross proceeds received from any insurance, performance bond, condemnation award or contract or any source as a consequence of a Property Damage, Defect or Title Event *minus* any expenses incurred in connection with the collection of such gross proceeds.

“*October 2012 Supplemental Indenture*” means the State of Colorado Building Excellent Schools Today October 2012 Supplemental Trust Indenture dated as of October 30, 2012 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.

“*Opinion of Counsel*” means a written opinion of legal counsel, who may be counsel to the Trustee.

“*Outstanding*” means all Certificates which have been executed and delivered, except:

(a) Certificates canceled or which shall have been surrendered to the Trustee for cancellation;

(b) Certificates in lieu of which other Certificates have been executed under Section 2.05 or 2.06 of the Master Indenture;

(c) Certificates which have been redeemed as provided in Article IV of the Master Indenture (including Certificates redeemed on payment of an amount less than the outstanding principal thereof and accrued interest thereon to the redemption date);

(d) Certificates which are due and for which the Trustee holds funds for the benefit of the Owner thereof pursuant to Section 3.05 of the Master Indenture;

(e) Certificates which are otherwise deemed discharged pursuant to Section 9.01 of the Master Indenture; and

(f) Certificates held by the State.

“*Owner*” of a Certificate means the registered owner of such Certificate as shown in the registration records of the Trustee.

“*Participant*” means a Participating K-12 Institution that is not a Sublessee under a Sublease.

“*Participating K-12 Institution*” means an Eligible K-12 Institution for which the Assistance Board has recommended, and the State Board has approved, the provision of financial

assistance for the Eligible K-12 Institution's Project in accordance with the Act and for which the Assistance Board has instructed the State Treasurer to enter into a Building Excellent Schools Today Lease Purchase Agreement to provide such financial assistance.

*"Permitted Encumbrances"* means, as of any particular time, (a) liens for taxes and assessments not then delinquent, or liens which may remain unpaid pursuant to Section 7.02(b) of any Lease; (b) the Leases, the Indenture, the Site Leases and the Subleases; (c) easements, licenses, rights-of-way, rights and privileges, reversion clause, use or other restrictions and exceptions which a State Representative certifies will not materially adversely affect the value, or interfere with or impair the effective use or operation, of the Leased Property, including easements granted pursuant to Section 7.03 of any Lease; (d) any financing statements filed with respect to the Trustee's interest in the Leased Property, the Leases, the Site Leases or the Subleases; (e) any encumbrance represented by financing statements filed to perfect purchase money security interests in any portion of or all of the Leased Property; (f) any claim filed pursuant to C.R.S. § 38-26-107; (g) any applicable zoning requirements; (h) such minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property of the general character of the Leased Property and as do not, as certified by the Site Lessor that leased the Leased Property to the Trustee, materially impair title to the Leased Property; and (i) items appearing on the title insurance policy or commitment to issue the title insurance policy delivered at the time the Leased Property is added to the Leased Property subject to a Lease.

*"Permitted Investments"* means any investment which is a lawful investment permitted for the investment of funds of the State by the laws of the State under C.R.S. § 24-75-601.1 or any successor thereto.

*"Person"* means any natural person, firm, corporation, partnership, limited liability company, state, political subdivision of any state, other public body or other organization or association.

*"Principal Account"* means the special account of the Certificate Fund established and designated as such by Section 3.01 of the Master Indenture.

*"Principal Component"* means the rights of the Owner of a Tax Credit Build America Certificate or a Qualified School Construction Certificate not included in the Tax Credit Component or, if applicable, the Interest Component, including the right to payment of the principal of and, unless a separate Interest Strip has been created, Supplemental Interest on such Certificate in accordance with the Indenture and the other rights of the Owner of such Certificate under the Indenture based on the principal amount of such Certificate that are not included in the Tax Credit Component or Interest Component.

*"Principal Strip"* means an instrument evidencing the right to receive the principal of and, unless a separate Interest Strip has been created, Supplemental Interest on a Tax Credit Qualified School Construction Certificate or Tax Credit Build America Certificate independently of the right to receive the tax credit available to the owner of, and the interest on, such Tax Credit Qualified School Construction Certificate or Tax Credit Build America Certificate.

“*Project*” means (a) when the term is used to refer to a Project financed with the proceeds of a Series of Certificates, a capital construction project as defined in the Act that is financed with the proceeds of such Series of Certificates; (b) when the term is used in a particular Lease, a capital construction project as defined in the Act that is financed with proceeds of Certificates with the same Series designation as the Lease; (c) when the term is used together with a possessive reference to a Participating K-12 Institution, a capital construction project as defined in the Act that is identified as the Project of such Participating K-12 Institution in a Lease, a Sublease, a Site Lease, the Indenture or other document; and (d) when the term is used in other contexts, all the capital construction projects as defined in the Act financed, in whole or in part, with proceeds of Certificates.

“*Project Account*” means an account of the Capital Construction Fund that is to be used to fund a particular Project.

“*Project Contract*” means the contract or agreement pursuant to which a Contractor performs Work in connection with a Project.

“*Property Damage, Defect or Title Event*” means one of the following events: (a) any portion of the Leased Property is destroyed or damaged by fire or other casualty, (b) title to, or the temporary or permanent use of, any portion of the Leased Property or the estate of the State or the Trustee in any portion of the Leased Property, is taken under the exercise of the power of eminent domain by any governmental body or by any Person acting under governmental authority, (c) a breach of warranty or any material defect with respect to any portion of the Leased Property becomes apparent or (d) title to or the use of any portion of the Leased Property is lost by reason of a defect in the title thereto.

“*Proportionate Share*” means (a) when the term is used to refer to a Participating K-12 Institution’s share of an amount payable (or another amount to be allocated among Participating K-12 Institutions) pursuant to a particular Lease, the share determined by multiplying the total amount by a fraction, the numerator of which is the costs of the Participating K-12 Institution’s Project financed with the proceeds of Certificates or Allocated Investment Earnings from Project Accounts with the same Series designation as such Lease and the denominator of which is the sum of the costs all Participating K-12 Institution’s Projects financed with the proceeds of Certificates or Allocated Investment Earnings from Project Accounts with the same Series designation as such Lease; and (b) when the term is used to refer to a Participating K-12 Institution’s share of the sum of all amounts payable (or all other amounts to be allocated among all Participating K-12 Institutions) pursuant to all the Leases for a particular category of cost or expense (or for a particular purpose), the share determined by multiplying the sum of all such amounts by a fraction, the numerator of which is the costs of such Participating K-12 Institution’s Project financed with the proceeds of Certificates and Allocated Investment Earnings and the denominator of which is sum of the costs all Participating K-12 Institutions’ Projects financed with the proceeds of all Certificates and Allocated Investment Earnings.

“*Purchase Option Account*” means the special account of the Certificate Fund established and designated as such by Section 3.01 of the Master Indenture.

“*Qualified School Construction Certificate*” means any Taxable Qualified School Construction Certificate or any Tax Credit Qualified School Construction Certificate.

“*Rating Agency*” means S&P, but only if S&P then maintains a rating on any Outstanding Certificates at the request of the State, and Moody’s, but only if Moody’s then maintains a rating on any Outstanding Certificates at the request of the State.

“*Rebate Fund*” means the special fund created by Section 3.04 of the Master Indenture.

“*Record Date*” means, (a) with respect to each Interest Payment Date that occurs on the first day of a calendar month, the fifteenth day of the immediately preceding calendar month (whether or not a Business Day); and (b) with respect to each Interest Payment Date that occurs on a day other than the first day of a calendar month, the first day of the month (whether or not a Business Day) in which the Interest Payment Date occurs.

“*Reference Dealer*” means:

(a) with respect to the Series 2010B Certificates, (i) Goldman, Sachs & Co. or its successors; provided, however, that if the foregoing Reference Dealer shall cease to be a primary U.S. Government securities dealer in New York City (a “Primary Treasury Dealer”), the State shall substitute therefor another Primary Treasury Dealer, and (ii) four other Primary Treasury Dealers selected by the State;

(b) with respect to any Series of Certificates other than the Series 2010B Certificates, (i) RBC Capital Markets, LLC or its successors; provided, however, that if the foregoing Reference Dealer shall cease to be a primary U.S. Government securities dealer in New York City (a “Primary Treasury Dealer”), the State shall substitute therefor another Primary Treasury Dealer, and (ii) four other Primary Treasury Dealers selected by the State.

“*Reference Treasury Dealer Quotations*” means, with respect to each Reference Dealer and any redemption date, the average, as determined by the Trustee or the independent accounting firm or financial advisor retained for such purpose, as applicable, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the State and the Trustee by such Reference Dealer at 5:00 p.m. (New York time) on the third business day preceding such redemption date.

“*Renewal Term*” means, with respect to each Lease and Sublease, each twelve-month period, commencing on July 1 of each Fiscal Year and ending on June 30 of such Fiscal Year, for which the State renews a Lease Term, a Sublessee renews a Sublease Term after the Initial Term of such Lease or Sublease.

“*Rent*” means Base Rent and Additional Rent, collectively.

“*Requirement of Law*” means any federal, state or local statute, indenture, rule or regulation, any judicial or administrative order (including any such consent order), request or judgment, any common law doctrine or theory, any provision or condition of any permit required to be obtained or maintained, or any other binding determination of any governmental authority

relating to the ownership or operation of property, including but not limited to any of the foregoing relating to zoning, environmental, health or safety matters.

“*S&P*” means Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies, Inc., and its successors and assigns.

“*Scheduled Lease Term*” means the period that begins on the first day of the Initial Term of a Lease and ends on the date described in Section 3.01(b)(i) of such Lease.

“*Scheduled Site Lease Term*” means the period that begins on the first day of the Site Lease Term of a Site Lease and ends on the date described in Section 3.01(a)(i) of such Site Lease.

“*Scheduled Sublease Term*” means the period that begins on the first day of the Initial Term of a Sublease and ends on the date described in Section 3.01(b)(i) of such Sublease.

“*Series*” means, (a) when used to refer to any series of Certificates, a series of Certificates authorized by and named in a Supplemental Indenture; and (b) when used to refer to a Lease, Sinking Fund Account or any other term with a series designation, the Lease, Sinking Fund Account or other term identified by a series designation. If the name of more than one Series of Certificates or Sinking Fund Accounts includes the same year and letter, (i) the letter in the Series name for such Series of Certificates or Sinking Fund Account shall be followed by a dash and a number in order to distinguish it from other Series of Certificates or Sinking Fund Accounts with the same year and letter in its name; (ii) references to Certificates by a year and letter shall include all Series of Certificates the name of which includes the same year and letter; and (iii) references to the Lease “with the same Series designation” as a Series of Certificates or Sinking Fund Account shall mean the Lease the name of which includes the same year and letter as such Series of Certificates or Sinking Fund Account.

“*Series 2009A Certificates*” means the Series of Certificates authorized by the Series 2009A Supplemental Indenture.

“*Series 2009A Sinking Fund Account*” means the Sinking Fund Account created for the payment of the Series 2009A Certificates pursuant to Section 3.01 of the Master Indenture.

“*Series 2009A Sinking Fund Principal*” means the payments of Base Rent by the State pursuant to the 2009A Lease that are designated and paid as Series 2009A Sinking Fund Principal under the 2009A Lease.

“*Series 2009A Supplemental Indenture*” means the State of Colorado Building Excellent Schools Today Series 2009A Supplemental Trust Indenture dated as of August 12, 2009 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.

“*Series 2010B Certificates*” means the State of Colorado Building Excellent Schools Today Certificates of Participation, Taxable Build America Series 2010B.

“*Series 2010B Interest*” means the interest payable on the Series 2010B Certificates pursuant to the Series 2010B-C Supplemental Indenture.

“*Series 2010B-C Supplemental Indenture*” means the State of Colorado Building Excellent Schools Today Series 2010B-C Supplemental Trust Indenture dated as of March 16, 2010 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.

“*Series 2010C Certificates*” means the State of Colorado Building Excellent Schools Today Certificates of Participation Series 2010C Tax-Exempt Series 2010C.

“*Series 2010C Interest*” means the interest payable on the Series 2010C Certificates pursuant to the Series 2010B-C Supplemental Indenture.

“*Series 2010D Certificates*” means the State of Colorado Building Excellent Schools Today Certificates of Participation Taxable Qualified School Construction Series 2010D.

“*Series 2010D Interest*” means the interest payable on the Series 2010D Certificates pursuant to the Series 2010D-F Supplemental Indenture.

“*Series 2010D Sinking Fund Account*” means the Sinking Fund Account created for the payment of the Series 2010D Certificates pursuant to the Master Indenture.

“*Series 2010D Sinking Fund Principal*” means the payment of Base Rent by the State pursuant to the 2010D-F Lease that are designated and paid as Series 2010D Sinking Fund Principal under the 2010D-F Lease.

“*Series 2010D-F Supplemental Indenture*” means the State of Colorado Building Excellent Schools Today Supplemental Trust Indenture dated as of December 16, 2010 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.

“*Series 2010E Certificates*” means the State of Colorado Building Excellent Schools Today Certificates of Participation Taxable Build America Series 2010E.

“*Series 2010E Interest*” means the interest payable on the Series 2010E Certificates pursuant to the Series 2010D-F Supplemental Indenture.

“*Series 2010F Certificates*” means the State of Colorado Building Excellent Schools Today Certificates of Participation Tax-Exempt Series 2010F.

“*Series 2010F Interest*” means the interest payable on the Series 2010F Certificates pursuant to the Series 2010D-F Supplemental Indenture.

“*Series 2011G Certificates*” means the State of Colorado Building Excellent Schools Today Certificates of Participation Tax-Exempt Series 2011G.

“*Series 2011G Interest*” means the interest payable on the Series 2011G Certificates pursuant to the Series 2011G Supplemental Indenture.

“*Series 2011G Supplemental Indenture*” means the State of Colorado Building Excellent Schools Today Supplemental Trust Indenture dated as of December 8, 2011 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.

“*Series 2012H Certificates*” means the State of Colorado Building Excellent Schools Today Certificates of Participation Tax-Exempt Series 2012H.

“*Series 2012H Interest*” means the interest payable on the Series 2012H Certificates pursuant to the Series 2012H Supplemental Indenture.

“*Series 2012H Supplemental Indenture*” means the State of Colorado Building Excellent Schools Today Supplemental Trust Indenture dated as of December 6, 2012 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.

“*Sinking Fund Account*” means one of the special accounts of the Certificate Fund established and designated as such by Section 3.01 of the Master Indenture. The name of each Sinking Fund Account shall include the same Series designation as the Series of Qualified School Construction Certificates for which it is established.

“*Sinking Fund Certificates*” means Qualified School Construction Certificates the principal of which is payable from a Sinking Fund Account.

“*Sinking Fund Principal*” means the payments of Base Rent by the State that are designated in a Lease as [Series year, letter and number] Sinking Fund Principal under such Lease.

“*Site Lease*” means a lease pursuant to which a Site Lessor has leased Leased Property to the Trustee, as amended or supplemented from time-to-time. When the term is preceded by a possessive, it means the Site Lease pursuant to which the particular Site Lessor has leased Leased Property to the Trustee.

“*Site Lease Term*” means the period of time during which a Site Lease is in force and effect as set forth in Section 3.01 of such Site Lease.

“*Site Lessor*” means the Participating K-12 Institution or the Chartering Authority for a Participating K-12 Institution that has leased Leased Property to the Trustee pursuant to a Site Lease in its capacity as lessor under such Site Lease.

“*Site Lessor Representative*” means a Person identified as such in a Site Lessor’s Site Lease or any Person appointed as Site Lessor Representative by the Person identified as such in such Site Lease.

“*Special Record Date*” means a special date fixed to determine the names and addresses of Owners of Certificates for purposes of paying defaulted interest in accordance with Section 2.02 of the Master Indenture.

“*Specifications*” means, for each Project, the Specifications attached to the Sublease of the Participating K-12 Institution for which such Project was financed.

“*State*” means (a) when used with respect to a party to a Sublease, the State of Colorado, acting by and through the State Treasurer and the Assistance Board acting on behalf of the State; (b) when used with respect to a party to a Lease or any other document other than a Sublease, the State of Colorado, acting by and through the State Treasurer; and (c) when used in any other context, the State of Colorado.

“*State Board*” means the State Board of Education created and existing pursuant to section 1 of article IX of the State Constitution.

“*State Expense Fund*” means the special fund created by Section 3.03 of the Master Indenture.

“*State Representative*” means the (a) the State Treasurer; (b) the Deputy State Treasurer; or (c) any other officer or employee of the State authorized by law or by a writing signed by the State Treasurer to act as a State Representative under the Leases, the Indenture, the Site Leases and the Subleases.

“*State’s Purchase Option Price*” means, when the term is used to refer to the State’s Purchase Option Price in a Lease, the amount that the State must pay to purchase the interest of the Trustee in all the Leased Property subject to such Lease pursuant to Section 8.01 of such Lease.

“*Stripped*” when used with respect to a Certificate means that a Principal Strip, Interest Strip and/or Tax Credit Strip have been created from such Certificate pursuant to a Supplemental Indenture.

“*Stripping*” means the creation of a Principal Strip, Interest Strip and/or Tax Credit Strip from a Certificate pursuant to a Supplemental Indenture.

“*Stripping Request*” means a request delivered by the Owner of a Certificate to the Trustee to create separate Principal Strips, Interest Strips and/or Tax Credit Strips from such Certificate in accordance with a Supplemental Indenture.

“*Sublease*” means a sublease pursuant to which a Participating K-12 Institution subleases Leased Property from the State, as amended or supplemented from time-to-time.

“*Sublease Term*” means the period of time during which a Sublease is in force and effect as set forth in Section 3.01 of such Sublease.

“*Sublessee*” means (a) when the term is used in or to refer to a particular Sublease, the Participating K-12 Institution that is subleasing the Leased Property subject to the Sublease from the State pursuant to the Sublease; and (b) when the term is used in a Lease, the Indenture or another document, any Participating K-12 Institution that is subleasing Leased Property from the State pursuant to a Sublease.

“*Sublessee Representative*” means a Person identified as such in a Sublessee’s Sublease or any Person appointed as Sublessee Representative by the Person identified as such in such Sublease.

“*Sublessee’s Purchase Option Price*” means (a) when the term is used to refer to the Sublessee’s Purchase Option Price under any Sublease with respect to Leased Property subject to the 2009A Lease, the amount that the Sublessee must pay to purchase the interest of the Trustee in all the Leased Property subject to such Sublease following an Event of Default or Event of Nonappropriation under the 2009A Lease pursuant to Section 8.01 of such Sublease; and (b) when the term is used to refer to the Sublessee’s Purchase Option Price under any Sublease with respect to Leased Property subject to the 2010B-C Lease, the 2010D-F Lease, the 2011G Lease or the 2012H Lease, the amount that the Sublessee must pay to purchase the interest of the Trustee in all the Leased Property subject to such Sublease following an Event of Default or Event of Nonappropriation under such Lease pursuant to Section 9.01 of such Sublease.

“*Supplemental Indenture*” means any indenture supplementing or amending the Indenture that is adopted pursuant to Article VIII of the Master Indenture.

“*Supplemental Interest*” means, with respect to any Tax Credit Qualified School Construction Certificate, interest payable from the date such Certificate is first executed and delivered, at the rate set forth in the Supplemental Indenture authorizing the Series of Certificates of which such Certificate is a part.

“*Tax Credit*” means the federal tax credit that the Owner of a Tax Credit Qualified School Construction Certificate or a Tax Credit Build America Certificate has the right to claim with respect to such Certificate under the Code.

“*Tax Credit Allowance Date*” means, with respect to each Qualified School Construction Certificate and any Tax Credit Strip relating to a Tax Credit Qualified School Construction Certificate, (a) each March 15, June 15, September 15, and December 15, beginning on the date of issuance of the Qualified School Construction Certificate through the date such Tax Credit Qualified School Construction Certificate matures or is redeemed and (b) the date on which such Tax Credit Qualified School Construction Certificate matures or is redeemed.

“*Tax Credit Build America Certificate*” means any Certificate of any Series designated as Tax Credit Build America Certificates in the Supplemental Indenture authorizing the issuance of the Series of Certificates of which such Certificate is a part.

“*Tax Credit Component*” means the right of the Owner of a Tax Credit Build America Certificate or a Tax Credit Qualified School Construction Certificate, or if such Certificate has been Stripped the Owner of the related Tax Credit Strip, to claim the Tax Credit with respect to such Certificate.

“*Tax Credit Coupon*” means the coupon attached to a Tax Credit Build America Certificate or a Tax Credit Qualified School Construction Certificate evidencing the right to claim a Tax Credit with respect to such Certificate.

“*Tax Credit Qualified School Construction Certificate*” means any of the Series 2009A Certificates and any Certificate of any other Series designated as a Tax Credit Qualified School Construction Certificate in the Supplemental Indenture authorizing the issuance of such other Series of Certificates of which such Certificate is a part.

“*Tax Credit Rate*” means, with respect to any Tax Credit Qualified School Construction Certificate, the credit rate as of the date on which there is a binding, written contract for the initial sale and exchange of such Certificate, as published by the United State Bureau of Public Debt on its Internet site for State and Local Government Series securities at: <https://www.treasurydirect.gov>.

“*Tax Credit Strip*” means an instrument evidencing the right to receive the tax credit available to the owner of a Tax Credit Qualified School Construction Certificate or Tax Credit Build America Certificate independently of the right to receive the principal of or the interest on such Tax Credit Qualified School Construction Certificate or Tax Credit Build America Certificate.

“*Tax-Exempt Certificate*” means any Certificate of any Series of Certificates designated as Tax-Exempt Certificates in the Supplemental Indenture authorizing the issuance of the Series of Certificates of which such Certificate is a part.

“*Tax Treatment Designation*” means the designation assigned to a Series of Certificates in the Supplemental Indenture authorizing the Series of Certificates as Taxable Build America Certificates, Tax Credit Build America Certificates, Taxable No Tax Credit Certificates, Tax-Exempt Certificates, Tax Credit Qualified School Construction Certificates or Taxable Qualified School Construction Certificates.

“*Taxable Build America Certificate*” means any Certificate of any Series of Certificates designated as Taxable Build America Certificates in the Supplemental Indenture authorizing the issuance of the Series of Certificates of which such Certificate is a part.

“*Taxable Build America Certificates Tax Law Change*” means legislation has been enacted by the Congress of the United States or passed by either House of the Congress, or a decision has been rendered by a court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement has been made by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency of appropriate jurisdiction, the effect of which would be to suspend, reduce or terminate the Federal Direct Payment from the United States Treasury to the State with respect to the Taxable Build America Certificates or to state or local government issuers generally with respect to obligations of the general character of the Taxable Build America Certificates pursuant to Sections 54AA or 6431 of the Code of Federal Direct Payments equal to 35% of the interest payable on each interest payment date; provided that such suspension, reduction or termination of the Federal Direct Payments is not due to a failure by the State to comply with the requirements under the Code to receive such Federal Direct Payments.

“*Taxable No Tax Credit Certificate*” means any Certificate of any Series designated as Taxable No Tax Credit Certificates in the Supplemental Indenture authorizing the issuance of the Series of Certificates of which such Certificate is a part.

“*Taxable Qualified School Construction Certificate*” means any Certificate of any Series of Certificates designated as Taxable Qualified School Construction Certificates in the Supplemental Indenture authorizing the issuance of the Series of Certificates of which such Certificate is a part.

“*Taxable Qualified School Construction Certificates Tax Law Change*” means legislation has been enacted by the Congress of the United States or passed by either House of the Congress, or a decision has been rendered by a court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement has been made by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency of appropriate jurisdiction, the effect of which would be to suspend, reduce or terminate the Federal Direct Payment from the United States Treasury to the State with respect to the Taxable Build America Certificates or to state or local government issuers generally with respect to obligations of the general character of the Taxable Build America Certificates pursuant to Sections 64F or 6431 of the Code of Federal Direct Payments equal to the lesser of (a) 100% of the interest payable on each Taxable Qualified School Construction Certificate on each interest payment date and (b) the amount of interest which would have been payable on the such Taxable Qualified School Construction Certificate on such interest payment date if such rate were the Tax Credit Rate; provided that such suspension, reduction or termination of the Federal Direct Payments is not due to a failure by the State to comply with the requirements under the Code to receive such Federal Direct Payments.

“*Total Scheduled Base Rent*” means, (a) with respect to any Base Rent Payment Date under the 2009A Lease, the 2009A Sinking Fund Principal component of Base Rent payable pursuant to the 2009A Lease on such Base Rent Payment Date; (b) with respect to any Base Rent Payment Date under the 2010B-C Lease, the sum of the Amortizing Principal, Series 2010B Interest and Series 2010C Interest components of Base Rent payable pursuant to the 2010B-C Lease on such Base Rent Payment Date; (c) with respect to any Base Rent Payment Date under the 2010D-F Lease, the sum of the Amortizing Principal, Series 2010D Sinking Fund Principal, Series 2010D Interest, Series 2010E Interest and Series 2010F Interest components of Base Rent payable pursuant to the 2010D-F Lease on such Base Rent Payment Date; (d) with respect to any Base Rent Payment Date under the 2011G Lease, the sum of the Amortizing Principal and Series 2011G Interest components of Base Rent payable pursuant to the 2011G Lease on such Base Rent Payment Date; and (e) with respect to any Base Rent Payment Date under the 2012H Lease, the sum of the Amortizing Principal and Series 2012H Interest components of Base Rent payable pursuant to the 2012H Lease on such Base Rent Payment Date.

“*Treasury Rate*” means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date

“*Trust Bank*” means a commercial bank which is authorized to exercise and is exercising trust powers located within or without the State, and also means any branch of the Federal Reserve Bank.

“*Trust Estate*” means the property placed in trust by the Trustee pursuant to Section 1.01 of the Master Indenture.

“*Trustee*” means Zions First National Bank, acting in the capacity of trustee pursuant to the Indenture, and any successor thereto appointed under the Indenture.

“*Trustee Representative*” means any officer of the Trustee; and any other person or persons designated to act on behalf of the Trustee under the Leases, the Indenture, the Site Leases and the Subleases by a written certificate furnished to the State Treasurer containing the specimen signature of such person and signed on behalf of the Trustee by any officer of the Trustee. The identity of the Trustee Representative may be changed by the Trustee from time to time by furnishing a new certificate to the State Treasurer.

“*2009A Lease*” means the State of Colorado Building Excellent Schools Today Series 2009A Lease Purchase Agreement dated as of August 12, 2009 between the Trustee and the State, as amended or supplemented from time to time.

“*2009A Leased Property*” means the Leased Property subject to the 2009A Lease.

“*2009A Participating K-12 Institutions*” means Alamosa School District Re-11J, Sangre De Cristo School District Re-22J and Sargent School District Re-33J.

“*2009A Project Accounts*” means the Project Accounts into which proceeds of the Series 2009A Certificates are deposited.

“*2009A Projects*” means the Projects financed with proceeds of the Series 2009A Certificates.

“*2009A Site Leases*” means the Site Leases between the Trustee and the 2009A Participating K-12 Institutions as Site Lessors, as amended or supplemented from time to time.

“*2009A Subleases*” means the Subleases between the State and the 2009A Sublessees as Sublessees, as amended or supplemented from time to time.

“*2009A Sublessees*” means the 2009A Participating K-12 Institutions in their capacities as Sublessees under the 2009A Subleases.

“*2010B-C Certificates*” means the Series 2010B Certificates and the Series 2010C Certificates, collectively.

“*2010B-C Lease*” means the State of Colorado Building Excellent Schools Today Series 2010B-C Lease Purchase Agreement dated as of March 16, 2010 between the Trustee and the State, as amended or supplemented from time to time.

“*2010B-C Leased Property*” means the Leased Property subject to the 2010B-C Lease.

“*2010B-C Participating K-12 Institutions*” means Alta Vista Charter School, Colorado School for the Deaf and Blind, Crestone Charter School, Inc., Delta County School District 50J, Douglas County School District Number Re-1, El Paso County School District No. 8, Miami Yoder School District JT-60, Park County School District Re-2, San Juan School District No. 1 and Swink School District No. 33.

“*2010B-C Project Accounts*” means the Project Accounts into which proceeds of the Series 2010B-C Certificates are deposited.

“*2010B-C Projects*” means the Projects financed with proceeds of the Series 2010B-C Certificates.

“*2010B-C Site Leases*” means the Site Leases between the Trustee and the 2010B-C Site Lessors, as amended or supplemented from time to time.

“*2010B-C Site Lessors*” means Lamar School District RE-2, Colorado School for the Deaf and Blind, Delta County School District 50J, Douglas County School District Number Re-1, El Paso County School District No. 8, Miami Yoder School District JT-60, Park County School District Re-2, San Juan School District No. 1 and Swink School District No. 33.

“*2010B-C Subleases*” means the Subleases between the State and the 2010B-C Sublessees and, in the case of a charter school, the charter school’s Chartering Authority, as amended or supplemented from time to time.

“*2010B-C Sublessees*” means the 2010B-C Participating K-12 Institutions other than Crestone Charter School, Inc. in their capacities as Sublessees under the 2010B-C Subleases.

“*2010D-F Certificates*” means the Series 2010D Certificates, the Series 2010E Certificates and the Series 2010F Certificates, collectively.

“*2010D-F Lease*” means the State of Colorado Building Excellent Schools Today Series 2010D-F Lease Purchase Agreement dated as of December 16, 2010 between the Trustee and the State, as amended or supplemented from time to time.

“*2010D-F Leased Property*” means the Leased Property subject to the 2010D-F Lease.

“*2010D-F Participating K-12 Institutions*” means Akron School District No. R-1, Center Joint Consolidated School District No. 26, Holly School District RE-3, Lake George Charter School, School District No. 1 in the County of Adams (MAPLETON 1), Monte Vista Consolidated School District No. 8, North Routt Community Charter School, Salida School District R-32-J and Vista Charter School.

“*2010D-F Project Accounts*” means the Project Accounts into which proceeds of the Series 2010D-F Certificates are deposited.

“*2010D-F Projects*” means the Projects financed with proceeds of the Series 2010D-F Certificates.

“*2010D-F Site Leases*” means the Site Leases between the Trustee and the 2010D-F Site Lessors, as amended or supplemented from time to time.

“*2010D-F Site Lessors*” means Akron School District No. R-1, Center Joint Consolidated School District No. 26, Holly School District RE-3, Park County School District RE-2, School District No. 1 in the County of Adams (MAPLETON 1), Monte Vista Consolidated School District No. 8, North Routt Community Charter School, Salida School District R-32-J and Vista Charter School.

“*2010D-F Subleases*” means the Subleases between the State and the 2010D-F Sublessees and, in the case of a charter school, the charter school’s Chartering Authority, as amended or supplemented from time to time.

“*2010D-F Sublessees*” means the 2010D-F Participating K-12 Institutions in their capacities as Sublessees under the 2010D-F Subleases.

“*2011G Certificates*” means the Series 2011G Certificates.

“*2011G Lease*” means the State of Colorado Building Excellent Schools Today Series 2011G Lease Purchase Agreement dated as of December 8, 2011 between the Trustee and the State, as amended or supplemented from time to time.

“*2011G Leased Property*” means the Leased Property subject to the 2011G Lease.

“*2011G Participating K-12 Institutions*” means Arapahoe County School District No. 1, Big Sandy School District No. 100J, Eagle County Charter Academy, Ellicott School District No. 22, Horizons K-8 School, Idalia RJ-3 School District, Ignacio School District No. 11 JT, Sanford School District No. 6J, School District No. RE-11 in the County of Weld and State of Colorado and The Laurent Clerc Educational Fund of Colorado d/b/a Rocky Mountain Deaf School.

“*2011G Project Accounts*” means the Project Accounts into which proceeds of the Series 2011G Certificates are deposited.

“*2011G Projects*” means the Projects financed with proceeds of the Series 2011G Certificates.

“*2011G Site Leases*” means the Site Leases between the Trustee and the 2011G Site Lessors, as amended or supplemented from time to time.

“*2011G Site Lessors*” means Arapahoe County School District No. 1, Big Sandy School District No. 100J, Boulder Valley School District No. RE 2, Eagle County School District No. RE 50, Ellicott School District No. 22, Idalia RJ-3 School District, Ignacio School District No. 11 JT, Sanford School District No. 6J and School District No. RE-11 in the County of Weld and State of Colorado.

“*2011G Subleases*” means the Subleases between the State and the 2011G Sublessees and, in the case of a charter school, the charter school’s Chartering Authority, as amended or supplemented from time to time.

“*2011G Sublessees*” means the following 2011G Participating K-12 Institutions in their capacities as Sublessees under the 2011G Subleases: Arapahoe County School District No. 1, Big Sandy School District No. 100J, Eagle County Charter Academy, Ellicott School District No. 22, Horizons K-8 School, Idalia RJ-3 School District, Ignacio School District No. 11 JT, Sanford School District No. 6J and School District No. RE-11 in the County of Weld and State of Colorado.

“*2012H Certificates*” means the Series 2012H Certificates.

“*2012H Lease*” means the State of Colorado Building Excellent Schools Today Series 2012H Lease Purchase Agreement dated as of December 6, 2012 between the Trustee and the State, as amended or supplemented from time to time.

“*2012H Leased Property*” means the Leased Property subject to the 2012H Lease.

“*2012H Participating K-12 Institutions*” means Elbert School District No. 200, Genoa-Hugo School District No. C-113, Greeley School District No. 6, Hi-Plains School District R-23, Lake County School District No. R-1, Montezuma-Cortez School District No. RE1, Otis School District No. R-3, Platte Valley School District No. RE3 and Sheridan School District No. 2.

“*2012H Project Accounts*” means the Project Accounts into which proceeds of the Series 2012H Certificates are deposited.

“*2012H Projects*” means the Projects financed with proceeds of the Series 2012H Certificates.

“*2012H Site Leases*” means the Site Leases between the Trustee and the 2012H Site Lessors, as amended or supplemented from time to time.

“*2012H Site Lessors*” means the 2012H Participating Institutions in their capacities as Site Lessors under the 2012H Site Leases.

“*2012H Subleases*” means the Subleases between the State and the 2012H Sublessees and, in the case of a charter school, the charter school’s Chartering Authority, as amended or supplemented from time to time.

“*2012H Sublessees*” means the 2012H Participating K-12 Institutions in their capacities as Sublessees under the 2012H Subleases.

“*Unexpended Proceeds Redemption*” means any redemption of Certificates of a Series of Qualified School Construction Certificates pursuant to the applicable redemption provisions of a Supplemental Indenture as a result of the failure to expend the Available Project Proceeds within the Available Project Proceeds Expenditure Period.

“*Work*” for each Project is defined in the Sublease of the Participating K-12 Institution for which such Project was financed.

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After recording return to:  
Michael R. Johnson  
Kutak Rock LLP  
1801 California Street, Suite 3100  
Denver, Colorado 80202

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**STATE OF COLORADO  
BUILDING EXCELLENT SCHOOLS TODAY  
SERIES 2012H LEASE PURCHASE AGREEMENT**

by and between

**ZIONS FIRST NATIONAL BANK,  
solely in its capacity as Trustee under the Indenture identified herein,  
as lessor**

and

**STATE OF COLORADO,  
acting by and through the State Treasurer,  
as lessee**

Dated as of December 6, 2012

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**STATE OF COLORADO  
BUILDING EXCELLENT SCHOOLS TODAY  
SERIES 2012H LEASE PURCHASE AGREEMENT**

This State of Colorado Building Excellent Schools Today Series 2012H Lease Purchase Agreement (this “Lease”) is dated as of December 6, 2012 and is entered into by and between Zions First National Bank, a national banking association duly organized and validly existing under the laws of the United States, solely in its capacity as trustee under the Indenture (the “Trustee”), as lessor, and the State of Colorado, acting by and through the State Treasurer (the “State”), as lessee. *Capitalized terms used but not defined in this Lease have the meanings assigned to them in the Glossary attached to the State of Colorado Building Excellent Schools Today Master Trust Indenture dated August 12, 2009, as such Glossary has been amended, supplemented and restated by the Glossary attached to the State of Colorado Building Excellent Schools Today Series 2012H Supplemental Trust Indenture dated December 6, 2012 and as it may further be amended, supplemented and restated from time to time.*

RECITALS

A. The State Treasurer, on behalf of the State and on the instructions of the Assistance Board, is authorized by the Act (a) to enter into one or more Building Excellent Schools Today Lease Purchase Agreements with a commercial bank as trustee to finance Projects for Eligible K-12 Institutions that are recommended by the Assistance Board and approved by the State Board for financing under the Act and (b) to enter into a Sublease with each such Eligible K-12 Institution with respect to the financing of its Project and, in the case of a Sublease, with respect to the subleasing of the Leased Property improved by the Eligible K-12 Institution’s Project to such Eligible K-12 Institution. Each Participating K-12 Institution is an Eligible K-12 Institution and is authorized under applicable law, its governing documents, if relevant, and action of its Governing Body to enter into a Sublease with respect to its Project and, if it is entering into a Sublease, to enter into a Sublease with respect to the Leased Property subject to such Sublease.

B. The Assistance Board has recommended and the State Board has approved the financing of the 2012H Projects for the 2012H Participating K-12 Institutions under the Act. The Assistance Board has instructed the State Treasurer to enter into a Building Excellent Schools Today Lease Purchase Agreement on behalf of the State to finance the 2012H Projects for the 2012H Participating K-12 Institutions and to enter into a Sublease with each 2012H Participating Institution.

C. The Leased Property of each Participating K-12 Institution that is entering into a Sublease will be leased to the Trustee pursuant to a Site Lease from the Participating K-12 Institution or, in certain cases where the Participating K-12 Institution is a Charter School, the Chartering Authority of such Participating K-12 Institution. All the Leased Property will be leased by the Trustee to the State Treasurer, acting on behalf of the State, pursuant to this Lease, which is a Building Excellent Schools Today Lease Purchase Agreement, with the Trustee, which is a commercial bank.

D. Certificates have been and will be issued pursuant to the Indenture. Proceeds of the Certificates have been and will be used pursuant to the terms of the Indenture to finance all or a portion of the Costs of the Projects of the Participating K-12 Institutions. The following Series of Certificates have been or are being issued pursuant to the Indenture: the Series 2009A Certificates were issued to finance the 2009A Projects of the 2009A Participating K-12 Institutions, the Series 2010B Certificates and the Series 2010C Certificates (collectively referred to as the 2010B-C Certificates) were issued to finance the 2010B-C Projects for the 2010B-C Participating K-12 Institutions, the Series 2010D Certificates, the Series 2010E Certificates and the Series 2010F Certificates (collectively referred to as the Series 2010D-F Certificates) were issued to finance the 2010D-F Projects for the 2010D-F Participating K-12 Institutions, the Series 2011G Certificates were issued to finance the 2011G Projects of the 2011G Participating K-12 Institutions and the Series 2012H Certificates are being issued to finance the 2012H Projects for the 2012H Participating K-12 Institutions.

## AGREEMENT

For and in consideration of the mutual covenants and the representations, covenants and warranties herein contained, the parties hereto hereby agree as follows:

### ARTICLE I

#### CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS

**Section 1.01. Representations, Covenants and Warranties by Trustee.** The Trustee hereby certifies, represents and agrees that all the certifications, representations and agreements of the Trustee set forth in Section 6.01 of the Master Indenture are true and accurate and makes the same certifications, representations and agreements under this Lease as if set forth in full herein.

**Section 1.02. Certifications, Representations and Agreements by State.** The State certifies, represents and agrees that:

(a) Each Participating K-12 Institution is an Eligible K-12 Institution. Each Project is a capital construction project as defined in the Act.

(b) The Assistance Board has recommended, and the State Board has approved, the provision of financial assistance as defined in the Act, to each Participating K-12 Institution for its Project in accordance with the Act. This Lease is a Building Excellent Schools Today Lease Purchase Agreement that is being entered into by the State Treasurer on behalf of the State pursuant to instructions from the Assistance Board to the State Treasurer in order to provide financial assistance as defined in the Act to each Participating K-12 Institution for its Project approved by the Assistance Board and the State Board in the amount approved by the Assistance Board, all in accordance with the Act.

(c) Each Participating K-12 Institution is providing Matching Moneys in the amount approved by the Assistance Board for the financial assistance provided to it pursuant to this Lease, which Matching Moneys will be credited to the Assistance Fund.

(d) The maximum total amount of annual lease payments payable by the State during any Fiscal Year under this Lease and all other outstanding Building Excellent Schools Today Lease Purchase Agreements is less than the maximum total amount of annual lease payments set forth below. If the maximum total amount of annual lease payments of principal or interest payable by the State during any Fiscal Year under this Lease and all other outstanding Building Excellent Schools Today Lease Purchase Agreements is greater than one-half of the maximum amount of annual lease purchase payments set forth below, the aggregate amount of Matching Moneys expected to be credited to the Assistance Fund pursuant to §§ 22-43.7-110(2)(c) and 22-43.7-104(2)(b)(IV) of the Act and any interest or income derived from the deposit and investment of the Matching Moneys is at least equal to the annual amount of lease payments of principal and interest payable by the State during any Fiscal Year under this Lease and all other outstanding Building Excellent Schools Today Lease Purchase Agreements that exceed one-half of the maximum total amount of annual lease payments set forth below. The maximum total amount of annual lease payments referenced above are:

- (i) \$20 million for the 2008-09 Fiscal Year;
- (ii) \$40 million for the 2009-2010 Fiscal Year;
- (iii) \$60 million for the 2010-2011 Fiscal Year; and
- (iv) \$80 million for the 2011-12 Fiscal Year and for each Fiscal Year thereafter.

(e) The State will not enter into any Building Excellent Schools Today Lease Purchase Agreements that will cause the maximum total amount of annual lease payments payable by the State during any Fiscal Year under this Lease and all other outstanding Building Excellent Schools Today Lease Purchase Agreements to exceed the amounts permitted under paragraph (d) of this Section unless the Act is amended to permit larger amounts, in which case such amounts may be increased to the larger amounts permitted by the Act as amended.

(f) **[reserved]**

(g) The State Treasurer has provided written notice to the Joint Budget Committee of the Colorado General Assembly that the State Treasurer has determined that the use of interest or income on the deposit and investment of moneys in the State Public School Fund to make lease payments under a lease purchase agreement entered into pursuant to § 24-43.7-110(2) of the Act will prevent the interest component of the lease payments from qualifying for exemption from federal income taxation. The State Treasurer has not rescinded such determination.

(h) This Lease, the financial assistance to Participating K-12 Institutions pursuant to this Lease and the financing pursuant to this Lease, the Series 2009A Certificates, the 2010B-C Certificates, the 2010D-F Certificates, the 2011G Certificates and the 2012H Certificates comply with the applicable provisions of the Act.

(i) The State is authorized under the Act to lease the Leased Property from the Trustee and to execute, deliver and perform its obligations under this Lease.

(j) The State has received all approvals and consents required for the State's execution, delivery and performance of its obligations under this Lease and for the financing of the Projects pursuant to this Lease and the Indenture.

(k) This Lease has been duly executed and delivered by the State and is valid and binding obligation enforceable against the State in accordance with its terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

(l) The execution, delivery and performance of this Lease by the State does not and will not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the State is now a party or by which the State is bound, or constitute a default under any of the foregoing, violate any Requirement of Law applicable to the State or, except as specifically provided in this Lease, the Indenture, the Subleases or the Site Leases, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the State.

(m) There is no litigation or proceeding pending or threatened against the State or any other Person affecting the right of the State to execute, deliver or perform the obligations of the State under this Lease.

(n) Each Participating K-12 Institution that is a charter school is a governmental entity and a public school of a school district that is a political subdivision of the State governed by Colorado law and a Charter granted or entered into by its Chartering Authority pursuant to which the property of such charter school reverts to such Chartering Authority upon expiration or termination of such charter. The other Participating K-12 Institutions are State agencies or school districts that are political subdivisions of the State. Benefits received by the Participating K-12 Institutions and the Chartering Authorities by the leasing of the Leased Property by the State pursuant to this Lease accrue to the State. The Participating K-12 Institutions, the Chartering Authorities and the State will receive economic and other benefits by the leasing of the Leased Property by the State pursuant to this Lease. The initial Leased Property is, and any Leased Property substituted for the initial Leased Property will be, property that is necessary and essential to the purposes and operations of the Participating K-12 Institutions, the Chartering Authorities and the State. The State expects that the Leased Property will adequately serve the needs for which it is being leased throughout the Scheduled Lease Term.

(o) The Rent payable in each Fiscal Year during the Lease Term is not more than the fair value of the use of the Leased Property during such Fiscal Year. The Rent

payable in any Fiscal Year during the Lease Term does not exceed a reasonable amount so as to place the State under an economic compulsion to take any of the following actions in order to avoid forfeiting such excess (i) to continue this Lease beyond such Fiscal Year, (ii) not to exercise its right to terminate this Lease at any time through an Event of Nonappropriation or (iii) to exercise any of its options to purchase the Leased Property hereunder. The State's Purchase Option Price for the Leased Property pursuant to Section 8.01 hereof is the State's best estimate of the fair purchase price of such Leased Property at the time of exercise of the State's option to purchase such Leased Property by paying the State's Purchase Option Price. The Scheduled Lease Term and the final maturity of the Series 2012H Certificates do not exceed the weighted average useful life of the real property improvements included in the Leased Property. In making the representations, covenants and warranties set forth above in this subsection, the State has given due consideration to the Projects, the purposes for which the Leased Property will be used by the State and the Sublessees, the benefits to the State and the Sublessees from the use of the Leased Property, the State's options to purchase the Leased Property hereunder and the terms of this Lease governing the use of the Leased Property.

(p) The State presently intends and expects to continue this Lease annually until title to the Leased Property is acquired by the State pursuant to this Lease; but this representation does not obligate or otherwise bind the State.

(q) The State is not aware of any current violation of any Requirement of Law relating to the Leased Property.

(r) The State has appropriated sufficient moneys in the Assistance Fund to pay (i) the Base Rent payable in the current Fiscal Year; and (ii) the Additional Rent estimated to be payable in the current Fiscal Year that it does not expect to pay from the State Expense Fund.

(s) The certifications, representation and agreements set forth in the tax compliance certificate executed by the State in connection with the issuance of the Series 2012H Certificates are hereby incorporated in the Lease as if set forth in full in this subsection.

## ARTICLE II

### DEMISING CLAUSE; ENJOYMENT OF LEASED PROPERTY

**Section 2.01. Demising Clause.** The Trustee demises and leases the Trustee's leasehold estate under the Site Leases in the land described in Exhibit A hereto (the "Land" for purposes of this Lease) and the buildings, structures and improvements now and hereafter located on the Land (together with the Land, the "Leased Property" for purposes of this Lease) to the State in accordance with the terms of this Lease, subject only to Permitted Encumbrances, to have and to hold for the Lease Term.

**Section 2.02. Enjoyment of Leased Property.** The Trustee covenants that, during the Lease Term and so long as no Event of Default hereunder shall have occurred, the State shall

peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Trustee, except as expressly required or permitted by this Lease.

### ARTICLE III

#### LEASE TERM; TERMINATION OF LEASE

##### Section 3.01. Lease Term.

(a) The Lease Term is the Initial Term and successive one year Renewal Terms, subject to subsection (b) of this Section.

(b) The Lease Term shall expire upon the earliest of any of the following events:

(i) the last day of the month in which the final Base Rent payment is scheduled to be paid in accordance with Exhibit B hereto;

(ii) June 30 of the Initial Term or June 30 of any Renewal Term during which, in either case, an Event of Nonappropriation has occurred;

(iii) the purchase of all the Leased Property by the State pursuant to Section 8.01 hereof; or

(iv) termination of this Lease following an Event of Default in accordance with Section 11.02(a) hereof.

**Section 3.02. Effect of Termination of Lease Term.** Upon termination of the Lease Term:

(a) all unaccrued obligations of the State hereunder shall terminate, but all obligations of the State that have accrued hereunder prior to such termination shall continue until they are discharged in full; and

(b) if the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default, the State's right to possession of the Leased Property hereunder shall terminate and (i) the State shall, within 90 days, vacate the Leased Property; and (ii) if and to the extent the Colorado General Assembly has appropriated funds for payment of Rent payable during, or with respect to the State's use of the Leased Property during, the period between termination of the Lease Term and the date the Leased Property is vacated pursuant to clause (i), the State shall pay Base Rent to the Trustee and Additional Rent to the Person entitled thereto.

## ARTICLE IV

### PROJECTS OF SUBLESSEES

**Section 4.01. Sublessees' Obligations to Construct Projects of Sublessees.** Each Sublessee has agreed in its Sublease to construct the Project that is to improve the Leased Property subject to such Sublease in accordance with Article IV of its Sublease.

**Section 4.02. State's Obligation to Construct Projects of Sublessees.** The State hereby agrees (a) to cause the Project of each Sublessee to be constructed in accordance with Article IV of the applicable Sublease and (b) to comply with all of the covenants of each Sublessee set forth in Article IV of such Sublease as if Article IV of such Sublease were set forth in full in this Lease with the State named wherever the Sublessee is named.

**Section 4.03. State Obligated Regardless of Sublessee's Actions.** The State may comply with Section 4.02 hereof with respect to a Project by causing the Sublessee to comply with Article IV of its Sublease, but no failure of any Sublessee to comply with any provision of Article IV of its Sublease shall relieve the State of any of the State's obligations to the Trustee under Section 4.02 hereof.

## ARTICLE V

### RENT; EVENT OF NONAPPROPRIATION

#### Section 5.01. Base Rent.

(a) ***Obligation to Pay Base Rent.*** The State shall, subject only to the remainder of this Section and the other Sections of this Article, pay Base Rent directly to the Trustee during the Lease Term in immediately available funds. The Base Rent is composed of the following components: (i) Amortizing Principal; and (ii) Series 2012H Interest. The Amortizing Principal and the Series 2012H Interest components of Base Rent (collectively, the "Total Scheduled Base Rent") are payable in the amounts and on the Base Rent Payment Dates set forth on Exhibit B. The amounts payable as Series 2012H Interest are designated and paid as, and represent payment of, interest.

(b) **[reserved]**

(c) ***Credits Against Base Rent.***

(i) The Base Rent payable on any Base Rent Payment Date shall be reduced by the following credits:

(A) any moneys in the Principal Account that are not held to pay the redemption price of Certificates for which a notice of redemption has been delivered shall be credited against the amount of Amortizing Principal and the total Base Rent payable on any Base Rent Payment Date; and

(B) any moneys in the Interest Account that are not held to pay the redemption price of Certificates for which a notice of redemption has been delivered shall be credited against the interest components of Base Rent and the total Base Rent payable on such Base Rent Payment Date.

(ii) Thirty days prior to each Base Rent Payment Date, the Trustee shall notify the State as to the exact amounts, if any, on deposit in each account of the Certificate Fund that will be credited, pursuant to clause (i) above, against components of and total Base Rent payable on such Base Rent Payment Date. If further amounts that are to be credited against the components of and total Base Rent payable on such Base Rent Payment Date accrue during such 30 day period, such amounts shall be carried over to be applied as a reduction of such components of and total Base Rent payable on the next succeeding Base Rent Payment Date.

(d) ***Application of Base Rent.*** Upon receipt by the Trustee of each payment of Base Rent, the Trustee shall apply the amount of such payment:

(i) *first*, each payment of Base Rent designated and paid as interest, plus the amount of any past due interest on the 2012H Certificates, shall be deposited into the Interest Account; and

(ii) *second*, the amount of each payment of Base Rent designated and paid as Amortizing Principal shall be deposited into the Principal Account.

**Section 5.02. Additional Rent.** The State shall, subject only to Sections 6.01(b) and 7.02(b) hereof and the other Sections of this Article, pay Additional Rent directly to the Persons to which it is owed (which, in the case of payments required to be made to fund the Rebate Fund pursuant to the Indenture, is the Trustee) in immediately available funds in the amounts and on the dates on which they are due.

**Section 5.03. Unconditional Obligations.** The obligation of the State to pay Base Rent during the Lease Term shall, subject only to the other Sections of this Article, and the obligation of the State to pay Additional Rent during the Lease Term shall, subject only to Sections 6.01(b) and 7.02(b) hereof and the other Sections of this Article, including, without limitation, Sections 5.04, 5.05 and 13.16 hereof, be absolute and unconditional and shall not be abated or offset for any reason related to the Leased Property. Notwithstanding any dispute between the State and the Trustee or between the State or the Trustee and any other Person relating to the Leased Property, the State shall, during the Lease Term, pay all Rent when due; the State shall not withhold any Rent payable during the Lease Term pending final resolution of such dispute and shall not assert any right of set off or counter claim against its obligation to pay Rent, provided, however, that the payment of any Rent shall not constitute a waiver by the State of any rights, claims or defenses which the State may assert; and no action or inaction on the part of the Trustee shall affect the State's obligation to pay Rent during the Lease Term.

#### **Section 5.04. Event of Nonappropriation.**

(a) The officer of the State who is responsible for formulating budget proposals with respect to payment of Rent is hereby directed (i) to estimate the Additional Rent payable in the next ensuing Fiscal Year prior to the submission of each annual budget proposal to the Colorado General Assembly during the Lease Term and (ii) to include in each annual budget proposal submitted to the Colorado General Assembly during the Lease Term the entire amount of Base Rent scheduled to be paid and the Additional Rent estimated to be payable during the next ensuing Fiscal Year; it being the intention of the State that any decision to continue or to terminate this Lease shall be made solely by the Colorado General Assembly, in its sole discretion, and not by any other department, agency or official of the State.

(b) An Event of Nonappropriation shall be deemed to have occurred, subject to the State's right to cure pursuant to subsection (c) of this Section, on June 30 of any Fiscal Year if the Colorado General Assembly has, on such date, failed, for any reason, to appropriate sufficient amounts authorized and directed to be used to pay all Base Rent scheduled to be paid and all Additional Rent estimated to be payable in the next ensuing Fiscal Year.

(c) Notwithstanding subsection (b) of this Section, an Event of Nonappropriation shall not be deemed to occur if, on or before August 15 of the next ensuing Fiscal Year, (i) the Colorado General Assembly has appropriated or otherwise authorized the expenditure of amounts sufficient to avoid an Event of Nonappropriation under subsection (b) of this Section and (ii) the State has paid all Rent due during the period from June 30 through the date of such appropriation or authorization.

(d) If the State shall determine to exercise its annual right to terminate this Lease effective on June 30 of any Fiscal Year, the State shall give written notice to such effect to the Trustee not later than April 1 of such Fiscal Year; provided, however, that a failure to give such notice shall not (i) constitute an Event of Default, (ii) prevent the State from terminating this Lease or (iii) result in any liability on the part of the State.

(e) The State shall furnish the Trustee with copies of all appropriation or expenditure authorization measures relating to Rent or the Purchase Option Price promptly upon the adoption thereof by the Colorado General Assembly, but not later than 30 days following the adoption thereof by the Colorado General Assembly; provided however, that a failure to furnish copies of such measures shall not (i) constitute an Event of Default, (ii) prevent the State from terminating this Lease or (iii) result in any liability on the part of the State.

#### **Section 5.05. Limitations on Obligations of the State.**

(a) Payment of Rent and all other payments by the State shall constitute currently appropriated expenditures of the State and may be paid solely from legally available moneys in the Assistance Fund, including any moneys appropriated or transferred by the Colorado General Assembly to the Assistance Fund in accordance with

the Act from any legally available source if the amount of money in the Assistance Fund that is available to pay Rent will be insufficient to cover the full amount of Rent. All obligations of the State under this Lease shall be subject to the action of the Colorado General Assembly in annually making moneys available for payments hereunder. The obligations of the State to pay Rent and all other obligations of the State hereunder are subject to appropriation by the Colorado General Assembly in its sole discretion, and shall not be deemed or construed as creating an indebtedness of the State within the meaning of any provision of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness of the State and shall not constitute a multiple fiscal year direct or indirect debt or other financial obligation of the State within the meaning Section 20(4) of Article X of the State Constitution. In the event the State does not renew this Lease, the sole security available to the Trustee, as lessor under this Lease, shall be the Leased Property.

(b) The State's obligations under the Lease shall be subject to the State's annual right to terminate this Lease upon the occurrence of an Event of Nonappropriation.

(c) The Certificates evidence undivided interests in the right to receive Lease Revenues and shall be payable solely from the Trust Estate. No provision of the Certificates, the Indenture, any Lease, any Sublease, any Matching Money Bond, any Site Lease or any other document or instrument shall be construed or interpreted (i) to directly or indirectly obligate the State to make any payment in any Fiscal Year in excess of amounts appropriated by the Colorado General Assembly for Rent for such Fiscal Year; (ii) as creating a multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the State within the meaning of Section 3 of Article XI, Section 20 of Article X of the State Constitution or any other limitation or provision of the State Constitution, State statutes or other State law; (iii) as a delegation of governmental powers by the State; (iv) as a loan or pledge of the credit or faith of the State or as creating any responsibility by the State for any debt or liability of any person, company or corporation within the meaning of Section 1 of Article XI of the State Constitution; or (v) as a donation or grant by the State to, or in aid of, any person, company or corporation within the meaning of Section 2 of Article XI of the State Constitution.

(d) The State shall be under no obligation whatsoever to exercise its option to purchase the Leased Property pursuant to Article VIII hereof.

(e) No provision of this Lease shall be construed to pledge or to create a lien on any class or source of moneys of the State, nor shall any provision of this Lease restrict the future issuance of any obligations of the State, payable from any class or source of moneys of the State; provided, however, that the restrictions set forth in the Indenture shall apply to the issuance of Certificates.

## ARTICLE VI

### OPERATION, MAINTENANCE AND INSURANCE OF LEASED PROPERTY

#### **Section 6.01. Taxes, Utilities and Insurance.**

(a) Except to the extent such expenses are paid by a Sublessee pursuant to its Sublease, the State shall pay, as Additional Rent, all of the following expenses with respect to the Leased Property:

(i) all taxes, assessments and other charges lawfully made by any governmental body, provided that any such taxes, assessments or other charges that may lawfully be paid in installments may be paid in installments as such installments are due;

(ii) all gas, water, steam, electricity, heat, power and other utility charges incurred in connection with the Leased Property;

(iii) casualty and property damage insurance with respect to the Leased Property in an amount equal to the full replacement value of the Leased Property;

(iv) public liability insurance with respect to the activities to be undertaken by the State and the Sublessees in connection with the Leased Property and this Lease: (A) to the extent such activities result in injuries for which immunity is available under the Colorado Governmental Immunity Act, C.R.S. § 24-10-101 et seq. or any successor statute, in an amount not less than the amounts for which the State and the Sublessees may be liable to third parties under such Act and (B) for all other activities, in an amount not less than \$1,000,000 per occurrence.

(b) Except for Permitted Encumbrances, the State shall not allow any liens for taxes, assessments, other governmental charges or utility charges to exist with respect to any portion of the Leased Property. If the State or the Sublessee shall first notify the Trustee of the intention of the State or the Sublessee to do so, the State or the Sublessee may, however, in good faith contest any such tax, assessment, other governmental charge or utility charge and, in the event of any such contest, may permit the tax, assessment, other governmental charge or utility charge so contested to remain unpaid during the period of such contest and any appeal therefrom, unless the Trustee shall notify the State or the Sublessee that, in the opinion of Independent Counsel, whose fees and expenses shall be paid by the State or the Sublessee, as applicable, by nonpayment of any such item the interest of the Trustee in the Leased Property will be materially interfered with or endangered or the Leased Property or any portion thereof will be subject to loss or forfeiture, in which event such tax, assessment, other governmental charge or utility charge shall be paid forthwith; provided, however, that such payment shall not constitute a waiver of the right to continue to contest such tax, assessment, other governmental charge or utility charge. At the request of the State or the Sublessee, the Trustee will cooperate fully with the State and the Sublessee in any such contest.

(c) The insurance policies provided pursuant to subsection (a) of this Section shall meet the following conditions: (i) any insurance policy may have a deductible clause in an amount deemed reasonable by the State; (ii) each insurance policy shall be provided by an insurer that, at the time such policy is obtained or renewed, is rated "A" by A.M. Best or in the two highest rating categories of S&P and Moody's; (iii) each insurance policy shall be so written or endorsed as to make losses, if any, payable to the State, the Sublessee and the Trustee, as their respective interests may appear; (iv) each insurance policy shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interest of the State, the Sublessee or the Trustee without first giving written notice thereof to the State, the Sublessee and the Trustee at least 30 days in advance of such cancellation or modification; (v) upon request, each insurance policy, or each certificate evidencing such policy, shall be provided to the Trustee; (vi) full payment of insurance proceeds under any insurance policy up to the dollar limit required by this Section in connection with damage to the Leased Property shall, under no circumstance, be contingent on the degree of damage sustained at other property owned or leased by the State or any Sublessee; and (vii) each insurance policy shall explicitly waive any coinsurance penalty.

(d) The insurance required by this Section may be provided under blanket insurance policies which insure not only the risks required to be insured hereunder but also other similar risks or through a self insurance program.

(e) The Leased Property is not covered by the State risk management program. The Sublessees of the Leased Property have agreed in their Subleases to provide insurance required by this Section with respect to the Leased Property subject to their Subleases pursuant to the Colorado School Districts Self Insurance Pool or in another manner permitted by their Subleases. The State's obligations with respect to insurance shall only apply if and to the extent a Sublessee fails to provide the required insurance in accordance with its Sublease.

**Section 6.02. Maintenance and Operation of Leased Property.** The State shall maintain, preserve and keep the Leased Property, or cause the Leased Property to be maintained, preserved and kept, in good repair, working order and condition, subject to normal wear and tear, shall operate the Leased Property, or cause the Leased Property to be operated, in an efficient manner and at a reasonable cost, and shall make or cause to be made all necessary and proper repairs, except as otherwise provided in Sections 7.05 and 7.07 hereof.

## ARTICLE VII

### **TITLE TO LEASED PROPERTY; ENCUMBRANCES, EASEMENTS, MODIFICATIONS, SUBSTITUTION, DAMAGE, PERSONAL PROPERTY**

**Section 7.01. Title to Leased Property.** Title to the leasehold estate in the Leased Property under each Site Lease shall be held in the name of the Trustee, subject to such Site Lease and this Lease, until the leasehold estate in such Leased Property under such Site Lease is conveyed or otherwise disposed of as provided herein, and the State shall have no right, title or interest in the Leased Property except as expressly set forth herein.

**Section 7.02. Limitations on Disposition of and Encumbrances on Leased Property.**

(a) Except as otherwise permitted in this Article or Article VIII or XI hereof and except for Permitted Encumbrances, (i) neither the Trustee nor the State shall sell, assign, transfer or convey any portion of or any interest in the Leased Property or directly or indirectly create, incur or assume any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, and (ii) the State shall promptly take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance or claim.

(b) Notwithstanding subsection (a) of this Section, if the State or the Sublessee shall first notify the Trustee of the intention of the State or the Sublessee to do so, the State or the Sublessee may in good faith contest any such mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, and in the event of any such contest, may permit the item so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom, unless the Trustee shall notify the State and, if the Sublessee has notified the Trustee pursuant to this Section, the Sublessee that, in the opinion of Independent Counsel, whose fees shall be paid by the State or the Sublessee, as applicable, by failing to discharge or satisfy such item the interest of the Trustee in the Leased Property will be materially interfered with or endangered, or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event such item shall be satisfied and discharged forthwith; provided, however, that such satisfaction and discharge shall not constitute a waiver by the State or the Sublessee of the right to continue to contest such item. At the request of the State or the Sublessee, the Trustee will cooperate fully with the State and the Sublessee in any such contest.

**Section 7.03. Granting of Easements.** As long as no Event of Nonappropriation or Event of Default shall have happened and be continuing, the Trustee shall, at the request of the State or the Sublessee:

(a) consent to the grant of easements, licenses, rights of way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to the Leased Property, free from this Lease, the Indenture and the Subleases and any security interest or other encumbrance created hereunder or thereunder;

(b) consent to the release of existing easements, licenses, rights of way and other rights and privileges with respect to the Leased Property, free from this Lease, the Indenture and the Subleases and any security interest or other encumbrance created hereunder or thereunder, with or without consideration; and

(c) execute and deliver any instrument necessary or appropriate to confirm and grant or release any easement, license, right of way or other grant or privilege under subsection (a) or (b) of this Section, upon receipt of: (i) a copy of the instrument of grant or release; and (ii) a written application signed by the State Representative or the Sublessee Representative of the Sublessee requesting such instrument and stating that

such grant or release will not materially adversely affect the value, or interfere with the effective use or operation, of the Leased Property.

**Section 7.04. Subleasing and Other Grants of Use.** The State may sublease portions of the Leased Property to Sublessees pursuant to Subleases and such Sublessees may further sublease or otherwise grant the right to use the portion of the Leased Property subleased to it to another Person, but only if:

(a) the Sublease includes the covenant by the Sublessee described in Section 9.04 hereof;

(b) the sublease or grant of use by the Sublessee complies with the covenant in the Sublease described in clause (a) above; and

(c) the obligations of the State under this Lease shall remain obligations of the State, and the State shall maintain its direct relationship with the Trustee, notwithstanding any such Sublease, sublease or grant of use.

**Section 7.05. Modification of Leased Property.** The State, at its own expense, may remodel, or make substitutions, additions, modifications or improvements to, the Leased Property, provided that: (a) such remodeling, substitutions, additions, modifications and additions (i) shall not in any way damage such portion of the Leased Property as it existed prior thereto and (ii) shall become part of the Leased Property; (b) the value of the Leased Property after such remodeling, substitutions, additions, modifications and additions shall be at least as great as the value of the Leased Property prior thereto; (c) the Leased Property, after such remodeling, substitutions, additions, modifications and additions, shall continue to be used as provided in, and shall otherwise be subject to the terms of, this Lease.

**Section 7.06. Substitution of Other Property for Leased Property.** The State may at any time substitute other property for any portion of the Leased Property upon delivery to the Trustee of the items listed below. Upon delivery thereof, the Trustee shall execute and deliver any documents or instruments requested by the State to accomplish the substitution. The items are:

(a) A certificate by the State certifying that, following such substitution, either (i) the Fair Market Value of the substituted property, determined as of the date of substitution, is equal to or greater than the Fair Market Value of the property for which it is substituted; or (ii) the Fair Market Value of all the Leased Property will be at least equal to 90% of the principal amount of the Outstanding Certificates, both determined as of the date the substitution occurs. Such certifications of the State may be given based and in reliance upon certifications by the Site Lessors that leased the Leased Property to the Trustee pursuant to the Site Leases.

(b) A title insurance policy, an amendment or supplement to a previously issued title insurance policy or a commitment to issue such a policy, amendment or supplement that would allow the appropriate Sublessee and the State to make the title insurance representations set forth in the form of Project Account requisition attached as Appendix A to the Master Indenture.

(c) A certificate by the State or the Sublessee of the substituted property certifying that (i) the useful life of the substituted property extends to or beyond the final maturity of the Certificates of the same Series designation as this Lease and (ii) the substituted property is at least as essential to the State, the Sublessee or another Sublessee as the property for which it was substituted.

(d) An opinion of Bond Counsel to the effect that such substitution is permitted by this Lease and will not cause the State to violate its tax covenant set forth in Section 9.04 hereof.

**Section 7.07. Property Damage, Defect or Title Event.**

(a) If a Property Damage, Defect or Title Event occurs with respect to any portion of the Leased Property, the Net Proceeds received as a consequence thereof shall be deposited into a special trust fund held by the Trustee.

(b) If the costs of the repair, restoration, modification, improvement or replacement of the portion of the Leased Property affected by the Property Damage, Defect or Title Event are equal to or less than the Net Proceeds, the Net Proceeds shall be used promptly to repair, restore, modify, improve or replace the affected portion of the Leased Property and any excess shall be delivered to the State.

(c) If the costs of the repair, restoration, modification, improvement or replacement of the portion of the Leased Property affected by the Property Damage, Defect or Title Event are more than the Net Proceeds, then the State shall elect one of the following alternatives:

(i) to use the Net Proceeds and other moneys paid by the State, subject to Article V hereof, as Additional Rent to promptly repair, restore, modify or improve or replace the affected portion of the Leased Property with property of a value equal to or in excess of the value of such portion of the Leased Property;

(ii) to substitute property for the affected portion of the Leased Property pursuant to Section 7.06 hereof, in which case the Net Proceeds shall be delivered to the State; or

(iii) to use the Net Proceeds to promptly repair, restore, modify or improve or replace the affected portion of the Leased Property to the extent possible with the Net Proceeds.

(d) The State shall not voluntarily settle, or consent to the settlement of, any proceeding arising out of any insurance claim, performance or payment bond claim, prospective or pending condemnation proceeding, or any action relating to default or breach of warranty under any contract relating to any portion of the Leased Property without the written consent of the Trustee.

(e) No Property Damage, Defect or Title Event shall affect the obligation of the State to pay Rent hereunder except as otherwise provided in subsection (c)(i) hereof.

**Section 7.08. Condemnation by State.** The State agrees that, to the extent permitted by law, in the event it brings an eminent domain or condemnation proceeding with respect to the Leased Property, such proceeding shall be with respect to all the Leased Property and the value of the Leased Property for purposes of such proceeding shall be not less than the State's Purchase Option Price determined pursuant to Section 8.01 hereof.

**Section 7.09. Personal Property of Sublessee.** The State, at its own expense, may install equipment and other personal property in or on any portion of the Leased Property under all the Building Excellent Schools Today Lease Purchase Agreements, which equipment or other personal property shall not become part of the Leased Property unless it is permanently affixed to the Leased Property or removal of it would materially damage the Leased Property, in which case it will become part of the Leased Property.

## **ARTICLE VIII**

### **STATE'S PURCHASE OPTION; CONVEYANCE TO STATE AT END OF LEASE TERM; SUBLESSEES' PURCHASE OPTIONS**

**Section 8.01. State's Option to Purchase All Leased Property in Connection with Defeasance of 2012H Certificates.**

(a) The State is hereby granted the option to purchase all, but not less than all, of the Leased Property subject to this Lease in connection with the defeasance of all the 2012H Certificates by paying to the Trustee the State's Purchase Option Price (defined below), subject to compliance with all conditions to the defeasance of the 2012H Certificates under the Indenture, including, but not limited to, the receipt of an opinion of Bond Counsel that the defeasance will not cause an Adverse Tax Event. The "State's Purchase Option Price" for purposes of a purchase of all the Leased Property pursuant to this Section is an amount sufficient (i) to defease all the 2012H Certificates in accordance with the defeasance provisions of the Indenture and (ii) to pay all Additional Rent payable through the date on which the Leased Property is conveyed to the State or its designee pursuant to this Article, including, but not limited to, all fees and expenses of the Trustee relating to the conveyance of the Leased Property and the payment, redemption or defeasance of the Outstanding 2012H Certificates; provided, however, that (A) the State's Purchase Option Price shall be reduced by the moneys, if any, in the funds and accounts created under the Master Indenture (except the Rebate Fund and any existing defeasance escrows accounts established pursuant to Section 9.01 of the Master Indenture) that are available for deposit in the defeasance escrow account established pursuant to Section 9.01 of the Master Indenture for the 2012H Certificates; and (B) if any 2012H Certificates have been paid, redeemed or defeased with the proceeds of another Series of Certificates, in applying this subsection, Outstanding Certificates of the Series of Certificates the proceeds of which were used to pay, redeem or defease the 2012H Certificates shall be substituted for the 2012H Certificates that were paid, redeemed or defeased, which substitution shall be accomplished in any reasonable manner selected by the State in its sole discretion.

(b) In order to exercise its option to purchase the Leased Property pursuant to this Section, the State must: (i) give written notice to the Trustee (A) stating that the State intends to purchase the Leased Property pursuant to this Section, (B) identifying the source of funds it will use to pay the State's Purchase Option Price and (C) specifying a closing date for such purpose which is at least 30 and no more than 90 days after the delivery of such notice; and (ii) pay the State's Purchase Option Price to the Trustee in immediately available funds on the closing date.

**Section 8.02. [Reserved].**

**Section 8.03. Conveyance of Leased Property.** At the closing of any purchase of Leased Property pursuant to Section 8.01 hereof, the Trustee shall execute and deliver to the State all necessary documents assigning, transferring and conveying to the State the same ownership interest in the purchased Leased Property that was conveyed to the Trustee, subject only to the following: (i) Permitted Encumbrances, other than this Lease, the Indenture, the Subleases and the Site Leases; (ii) all liens, encumbrances and restrictions created or suffered to exist by the Trustee as required or permitted by this Lease, the Indenture and Site Lease pursuant to which the Leased Property was leased to the Trustee or arising as a result of any action taken or omitted to be taken by the Trustee as required or permitted by this Lease, the Indenture and the Site Leases; (iii) any lien or encumbrance created or suffered to exist by action of the State or any Sublessee of the Leased Property to be purchased; and (iv) those liens and encumbrances (if any) to which the Leased Property purchased by the State pursuant to this Article was subject when acquired by the Trustee.

**Section 8.04. Conveyance of Leased Property to State at End of Scheduled Lease Term.** If all Base Rent scheduled to be paid through the end of the Scheduled Lease Term, all Additional Rent payable through the date of conveyance of the Leased Property to the State pursuant to this Section shall have been paid, all the 2012H Certificates have been paid in full in accordance with the Indenture and all other amounts payable pursuant to the Indenture and this Lease have been paid, the Leased Property that remains subject to this Lease shall be assigned, transferred and conveyed to the State at the end of the Scheduled Lease Term in the manner described in Section 8.03 hereof without any additional payment by the State.

**Section 8.05. Purchase Options of Sublessees and Chartering Authorities.** Upon the occurrence of an Event of Default or Event of Nonappropriation under this Lease, each Sublessee and the Chartering Authority of each Sublessee that is a charter school has the option to purchase the Leased Property that is subject to its Sublease as provided in Article IX and Section 14.22 of such Sublease. The Trustee agrees to notify each Sublessee and the Chartering Authority of each Sublessee that is a charter school upon the occurrence of an Event of Default or Event of Nonappropriation under this Lease and to comply with the provisions of Article IX and Section 14.22 of each Sublease.

## ARTICLE IX

### GENERAL COVENANTS

**Section 9.01. Further Assurances and Corrective Instruments.** So long as this Lease is in full force and effect and no Event of Nonappropriation or Event of Default shall have occurred, the Trustee and the State shall have full power to carry out the acts and agreements provided herein and the State and the Trustee, at the written request of the other, shall from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property leased or intended to be leased hereunder, or for otherwise carrying out the intention of or facilitating the performance of this Lease.

**Section 9.02. Compliance with Requirements of Law.** On and after the date hereof, neither the State nor the Trustee shall take any action with respect to the Leased Property that violates the terms hereof or is contrary to the provisions of any Requirement of Law. Without limiting the generality of the preceding sentence, the State, in particular, shall use the Leased Property in a manner such that (a) the Leased Property at all times is operated in compliance with all Requirements of Law; (b) all permits required by Requirements of Law in respect of the State's use of the Leased Property are obtained, maintained in full force and effect and complied with; (c) there shall be no hazardous substance, pollutant or contaminant (as those terms are defined in the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. § 9601, et seq., any applicable state law or regulations promulgated under either), solid or hazardous waste (as defined in the Resource Conservation and Recovery Act, as amended, 42 U.S.C. § 6901, et seq., any applicable state law or regulations promulgated under either), special waste, petroleum or petroleum derived substance, radioactive material or waste, polychlorinated biphenyls, asbestos or any constituent of any of the foregoing located on, in or under the Leased Property in violation of any Requirements of Law; (d) there shall be no disposal of any of the items referred to in clause (c) on, from, into or out of the Leased Property in violation of any Requirements of Law; and (e) there shall be no spillage, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leeching, dumping, disposing, depositing or dispersing of any of the items referred to in clause (c) into the indoor or outdoor environment from, into or out of the Leased Property, including but not limited to the movement of any such items through or in the air, soil, surface water, ground water from, into or out of the Leased Property or the abandonment or discard of barrels, containers or other open or closed receptacles containing any such items from, into or out of the Leased Property in violation of any Requirements of Law.

#### **Section 9.03. Participation in Legal Actions.**

(a) At the request of and at the cost of the State (payable as Additional Rent hereunder), the Trustee shall join and cooperate fully in any legal action in which the State or a Sublessee asserts its right to the enjoyment of the Leased Property; that involves the imposition of any charges, costs or other obligations or liabilities on or with respect to the Leased Property or the enjoyment of the Leased Property by the State or such Sublessee; or that involves the imposition of any charges, costs or other obligations

with respect to the State's execution, delivery and performance of its obligations under this Lease or such Sublessee's execution, delivery and performance of its obligations under a Site Lease, Sublease or Matching Money Bond.

(b) At the request of the Trustee and upon a determination by the State that such action is in the best interests of the State, the State shall, at the cost of the State (payable as Additional Rent hereunder), join and cooperate fully in any legal action in which the Trustee asserts its ownership of or interest in the Leased Property; that involves the imposition of any charges, costs or other obligations on or with respect to the Leased Property for which the Trustee is responsible hereunder; or that involves the imposition of any charges, costs or other obligations with respect to the execution and delivery or acceptance of this Lease, the Indenture or the Site Leases by the Trustee or the performance of its obligations hereunder or thereunder.

**Section 9.04. Tax Covenant of the State.** The State (a) will not use or permit any other Person to use the Projects and will not use, invest or direct the Trustee to use or invest proceeds of the Certificates or any moneys in the funds and amounts held by the Trustee under the Indenture in a manner that would cause, or take any other action that would cause, an Adverse Tax Event and (b) will comply with the certifications, representations and agreements set forth in the tax compliance certificate executed by the State in connection with the 2012H Certificates. The State (i) will require each Participating K-12 Institution to covenant in its Sublease that (A) such Participating K-12 Institution will not use or permit any other Person to use such Participating K-12 Institution's Project and will not use, invest or direct any other Person to use or invest any moneys that it withdraws from its Project Account in a manner that would cause an Adverse Tax Event and (B) such Participating K-12 Institution will comply with the other certifications, representations and agreements set forth in the Tax Compliance Certificate executed and delivered in connection with its Sublease; and (ii) will enforce such covenant against the Participating K-12 Institution.

**Section 9.05. Payment of Fees and Expenses of the Trustee.** The State shall pay as Additional Rent the reasonable fees and expenses of the Trustee in connection with the Leased Property, the Projects, the Leases, the Indenture, the Certificates, the Site Leases, the Subleases or any matter related thereto, including, but not limited to, costs of defending any claim or action brought against the Trustee or its directors, officers, employees or agents relating to the foregoing, in accordance with the schedule attached hereto as Exhibit C. The State shall not, however, pay any fees or expenses incurred in connection with any action or omission, or any liability incurred in connection with any action or omission, that constituted willful misconduct or negligence of the Trustee or its directors, officers, employees or agents.

**Section 9.06. Rebate Fund; Rebate Calculations.** The State shall pay to the Trustee as Additional Rent the amount required to be paid to the United States of America on any date on which a rebate payment is due to the extent the amount on deposit in the Rebate Fund is not sufficient to make such payment (for purposes of this Section, a "Rebate Fund shortfall"). Any Rebate Fund shortfall shall be payable on or before the date the related payment is due to the United States of America. The State also agrees to make or cause to be made all rebate calculations required pursuant to the Indenture and to pay the costs as Additional Rent.

**Section 9.07. Investment of Funds.** By authorizing the execution and delivery of this Lease, the State specifically authorizes the investment of moneys held by the Trustee in Permitted Investments (as defined in the Indenture), including Permitted Investments where the period from the date of purchase thereof to the maturity date is in excess of five years.

**Section 9.08. [Reserved]**

**Section 9.09. Glossary.** The State hereby directs the Trustee to amend, supplement and restate the Glossary as set forth in the Series 2012H Supplemental Indenture and hereby certifies that, after such amendment, supplement and restatement, the Glossary is accurate and that such amendment, supplement and restatement does not materially modify the substantive provisions of the Indenture, the Leases or the Site Leases.

**ARTICLE X**

**LIMITS ON OBLIGATIONS OF TRUSTEE**

**Section 10.01. Disclaimer of Warranties.** THE TRUSTEE MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE LEASED PROPERTY. In no event shall the Trustee be liable for any incidental, special or consequential damage in connection with or arising out of this Lease or the existence, furnishing, functioning or use by the State of any item, product or service provided for herein.

**Section 10.02. Financial Obligations of Trustee Limited to Trust Estate.** Notwithstanding any other provision hereof, all financial obligations of the Trustee under this Lease, except those resulting from its willful misconduct or negligence, are limited to the Trust Estate.

**ARTICLE XI**

**EVENTS OF DEFAULT AND REMEDIES**

**Section 11.01. Events of Default Defined.**

(a) Any of the following shall constitute an “Event of Default” under this Lease:

(i) failure by the State to pay any specifically appropriated Base Rent to the Trustee on or before the applicable Base Rent Payment Date; provided, however, that a failure by the State to pay Base Rent on the applicable Base Rent Payment Date shall not constitute an Event of Default if such payment is received by the Trustee on or before the Business Day prior to the first date immediately following the scheduled Base Rent Payment Date on which principal or interest is payable on Certificates;

(ii) failure by the State to pay any Additional Rent for which funds have been specifically appropriated when due, or if such Additional Rent is payable to a Person other than the Trustee, when nonpayment thereof has, or may have, a material adverse effect upon the Certificates, the Leased Property or the interest of the Trustee in the Leased Property;

(iii) failure by the State to vacate the Leased Property subject to this Lease or the Leased Property subject to any other Lease within 90 days following an Event of Nonappropriation under the applicable Lease in accordance with Section 3.02(b) of such Lease;

(iv) any sublease, assignment, encumbrance, conveyance or other transfer of the interest of the State in all or any portion of this Lease or the Leased Property in violation of Section 12.02(a) hereof or any succession to all or any portion of the interest of the State in the Leased Property in violation of Section 12.02(b) hereof;

(v) failure by the State to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in clause (i), (ii), (iii) or (iv) above, for a period of 30 days after written notice, specifying such failure and requesting that it be remedied shall be given to the State by the Trustee, unless the Trustee shall consent in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the Trustee shall not withhold its consent to an extension of such time if corrective action shall be instituted within the applicable period and diligently pursued until the default is corrected; or

(vi) the occurrence of an Event of Default under any other Lease (as the term "Event of Default" is defined in such other Lease).

(b) The provisions of subsection (a) of this Section are subject to the following limitations:

(i) the State shall be obligated to pay Rent only during the Lease Term, except as otherwise expressly provided in Section 3.02(b)(ii) hereof; and

(ii) if, by reason of Force Majeure, the State shall be unable in whole or in part to carry out any agreement on its part herein contained, other than its obligation to pay Rent hereunder, the State shall not be deemed in default during the continuance of such inability; provided, however, that the State shall, as promptly as legally and reasonably possible, remedy the cause or causes preventing the State from carrying out such agreement, except that the settlement of strikes, lockouts and other industrial disturbances shall be solely within the discretion of the State.

**Section 11.02. Remedies on Default.** Whenever any Event of Default shall have happened and be continuing, the Trustee may take one or any combination of the following remedial steps:

- (a) terminate the Lease Term and give notice to the State to immediately vacate the Leased Property in the manner provided in Section 3.02(b) hereof;
- (b) sell or lease its interest in all or any portion of the Leased Property, subject to the Sublessees' purchase options under the Subleases;
- (c) recover any of the following from the State that is not recovered pursuant to subsection (b) of this Section:
  - (i) the portion of Rent payable pursuant to Section 3.02(b)(ii) hereof;
  - (ii) the portion of Base Rent for the then current Fiscal Year that has been specifically appropriated by the Colorado General Assembly, regardless of when the State vacates the Leased Property; and
  - (iii) the portion of the Additional Rent for the then current Fiscal Year that has been specifically appropriated by the Colorado General Assembly, but only to the extent such Additional Rent is payable prior to the date, or is attributable to the use of the Leased Property prior to the date, the State vacates the Leased Property;
- (d) enforce any provision of this Lease by equitable remedy, including, but not limited to, enforcement of the restrictions on assignment, encumbrance, conveyance, transfer or succession under Article XII hereof by specific performance, writ of mandamus or other injunctive relief; and
- (e) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under this Lease, subject, however, to the limitations on the obligations of the State set forth in Sections 5.05 and 11.03 hereof.

**Section 11.03. Limitations on Remedies.** A judgment requiring a payment of money may be entered against the State by reason of an Event of Default only as to the State's liabilities described in Section 11.02(c) hereof. A judgment requiring a payment of money may be entered against the State by reason of an Event of Nonappropriation, or a failure to vacate the Leased Property following an Event of Nonappropriation, only to the extent provided in Section 11.02(c)(i) hereof.

**Section 11.04. No Remedy Exclusive.** Subject to Section 11.03 hereof, no remedy herein conferred upon or reserved to the Trustee is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to

entitle the Trustee to exercise any remedy reserved in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article.

**Section 11.05. Waivers.**

(a) The Trustee may waive any Event of Default under this Lease and its consequences. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

(b) In the event the Trustee waives any Event of Default described in Section 11.01(a)(i) hereof, any subsequent payment by the State of Base Rent then due and owing shall be paid to the Trustee to be applied in accordance with the terms of the Indenture.

**ARTICLE XII**

**TRANSFERS OF INTERESTS IN LEASE OR LEASED PROPERTY**

**Section 12.01. Trustee's Rights, Title and Interest in Trust for Benefit of Owners; Successor Trustee; Assignment by Trustee.** The Trustee shall hold its interest in the Leased Property and its rights, title and interest in, to and under this Lease (other than the Trustee's rights to payment of its fees and expenses and the rights of third parties to Additional Rent payable to them) in trust for the benefit of the Owners pursuant to the Indenture. Any successor trustee under the Indenture shall automatically succeed to previous trustee's interest in the Leased Property and the previous trustee's rights, title, interest and obligations in, to and under this Lease. The Trustee shall not, except as provided in this Section or as otherwise provided elsewhere in this Lease or in the Indenture, assign, convey or otherwise transfer to any Person any of the Trustee's interest in the Leased Property or the Trustee's rights, title or interest in, to or under this Lease.

**Section 12.02. Transfer of the State's Interest in Lease and Leased Property Prohibited.**

(a) Except as otherwise permitted by Section 7.04 hereof with respect to subleasing or grants of use of the Leased Property, Section 7.06 with respect to substitutions of other property for Leased Property and subsection (b) of this Section with respect to transfers of the Leased Property following termination of this Lease or as otherwise required by law, the State shall not sublease, assign, encumber, convey or otherwise transfer all or any portion of its interest in this Lease or the Leased Property to any Person, whether now in existence or organized hereafter.

(b) Notwithstanding subsection (a) of this Section, the State may transfer its interest in the Leased Property after, and only after, this Lease has terminated and the Leased Property has been conveyed to the State pursuant to Article VIII hereof.

## ARTICLE XIII

### MISCELLANEOUS

**Section 13.01. Binding Effect.** This Lease shall inure to the benefit of and shall be binding upon the Trustee and the State and their respective successors and assigns, subject, however, to the limitations set forth in Article XII hereof. The Site Lessor that leased Leased Property to the Trustee and its successors and assigns is an intended third party beneficiary of the covenants of the State in Articles VI and VII and Sections 9.02, 9.03(a) and 12.02 hereof and of the Trustee in Section 9.03(b) hereof. This Lease and the covenants set forth herein are expressly intended to be covenants, conditions and restrictions running with the Leased Property and the leasehold estate in the Leased Property under this Lease.

**Section 13.02. Interpretation and Construction.** This Lease and all terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Lease. For purposes of this Lease, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Lease to designated “Articles,” “Sections,” “subsections,” “paragraphs,” “clauses” and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of this Lease. The words “herein,” “hereof,” “hereto,” “hereby,” “hereunder” and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or other subdivision.

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

(c) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles applicable to governmental entities, subject to statutory exceptions and modifications, as in effect from time to time.

(d) The term “money” includes any cash, check, deposit, investment security or other form in which any of the foregoing are held hereunder.

(e) In the computation of a period of time from a specified date to a later specified date, the word “from” means “from and including” and each of the words “to” and “until” means “to but excluding.”

**Section 13.03. Acknowledgement of Indenture.** The State has received a copy of, and acknowledges the terms of, the Indenture.

**Section 13.04. Trustee, State and Sublessee Representatives.** Whenever under the provisions hereof the approval of the Trustee, the State or a Sublessee is required, or the Trustee, the State or a Sublessee is required to take some action at the request of the other, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative, for the State by the State Representative and for the Sublessee by the Sublessee

Representative identified in the Sublessee's Sublease and the Trustee, the State and the Sublessees shall be authorized to act on any such approval or request.

**Section 13.05. Manner of Giving Notices.** All notices, certificates or other communications hereunder shall be in writing and shall be deemed given when mailed by first class United States mail, postage prepaid, or when sent by facsimile transmission or electronic mail, addressed as follows: if to the State, to Colorado State Treasurer, 140 State Capitol, 200 E. Colfax Ave., Denver, CO 80203, Attention: Deputy State Treasurer, facsimile number: 303-866-2123, electronic mail address: brett.j.johnson@state.co.us, with a copy to Colorado State Controller, 633 Seventeenth Street, Suite 1500, Denver, Colorado 80203, Attention: David J. McDermott, facsimile number: 303-866-4233, electronic mail address: david.mcdermott@state.co.us, if to the Trustee, to Zions First National Bank, 1001 Seventeenth Street, Suite 850, Denver, Colorado 80202, Attention: Corporate Trust Services facsimile number: 855-547-6178, electronic mail address: denvercorporatetrust@zionsbank.com; and if to any Sublessee or to the Chartering Authority of any Sublessee that is a charter school, to the notice address set forth in the Sublease of such Sublessee. Any notice party may, by written notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

**Section 13.06. No Individual Liability.** All covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the State or the Trustee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the State or the Trustee or any natural person executing this Lease or any related document or instrument; provided that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

**Section 13.07. Amendments, Changes and Modifications.** Except as otherwise provided herein or in the Indenture, this Lease may only be amended, changed, modified or altered by a written instrument executed by the State and the Trustee; and the Trustee shall, if and when requested by the State, execute and deliver any amendment to this Lease proposed by the State upon delivery to the Trustee of an opinion of Bond Counsel stating that such amendment does not violate the Indenture or the Leases.

**Section 13.08. Events Occurring on Days that are not Business Days.** If the date for making any payment or the last day for performance of any act or the exercising of any right under this Lease is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Lease.

**Section 13.09. Legal Description of Land Included in Leased Property.** The legal description of the land included in the Leased Property subject to this Lease is set forth in Exhibit A hereto. If the land included in the Leased Property subject to this Lease is modified

pursuant to the terms of this Lease or other land is substituted for land included in the Leased Property subject to this Lease pursuant to the terms of this Lease, the legal description set forth in Exhibit A hereto will be amended to describe the land included in the Leased Property subject to this Lease after such modification or substitution.

**Section 13.10. Merger.** The State, the Trustee, the Site Lessors and the Sublessors intend that the legal doctrine of merger shall have no application to this Lease, any Site Lease or any Sublease and that none of the execution and delivery of this Lease by the Trustee and the State, any such Site Lease by a Site Lessor and the Trustee or any Sublease by the State and a Sublessee or the exercise of any remedies by any party under this Lease, any Site Lease or any Sublease shall operate to terminate or extinguish this Lease, any Site Lease or any Sublease.

**Section 13.11. Severability.** In the event that any provision of this Lease, other than the obligation of the State to pay Rent hereunder and the obligation of the Trustee to provide quiet enjoyment of the Leased Property and to convey the Leased Property to the State pursuant to Article VIII hereof, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**Section 13.12. Captions.** The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Lease.

**Section 13.13. Applicable Law.** The laws of the State and rules and regulations issued pursuant thereto, as the same may be amended from time to time, shall be applied in the interpretation, execution and enforcement of this Lease. Any provision of this Lease, whether or not incorporated herein by reference, which provides for arbitration by an extra judicial body or person or which is otherwise in conflict with said laws, rules and regulations shall be considered null and void. Nothing contained in any provision hereof or incorporated herein by reference which purports to negate this Section in whole or in part shall be valid or enforceable or available in any action at law whether by way of complaint, defense or otherwise. Any provision rendered null and void by the operation of this Section will not invalidate the remainder of this Lease to the extent that this Lease is capable of execution. At all times during the performance of this Lease, the Trustee shall strictly adhere to all applicable federal and State laws, rules and regulations that have been or may hereafter be established.

**Section 13.14. State Controller's Approval.** This Lease shall not be deemed valid until it has been approved by the State Controller or such assistant as the State Controller may designate. Financial obligations of the State payable after the current Fiscal Year are contingent upon funds for that purpose being appropriated, budgeted and otherwise made available.

**Section 13.15. Non Discrimination.** The Trustee agrees to comply with the letter and the spirit of all applicable State and federal laws respecting discrimination and unfair employment practices.

**Section 13.16. Vendor Offset.** Pursuant to C.R.S. §§ 24-30-202(1) and 24-30-202.4, the State Controller may withhold payment of certain amounts owed by State agencies under the State's vendor offset intercept system for (a) unpaid child support debts or child support arrearages; (b) unpaid balances of tax, accrued interest, or other charges specified in C.R.S.

§ 39-21-101 et seq.; (c) unpaid loans due to the Student Loan Division of the Department of Higher Education; (d) amounts required to be paid to the Unemployment Compensation Fund; and (e) other unpaid debts certified by the State Controller as owing to the State as a result of final agency determination or judicial action.

**Section 13.17. Employee Financial Interest.** The signatories to this Lease aver that, to their knowledge, no employee of the State has any personal or beneficial interest whatsoever in the service or property described herein.

**Section 13.18. Execution in Counterparts.** This Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[remainder of page intentionally left blank]

THE PARTIES HERETO HAVE EXECUTED THIS SERIES 2012H LEASE PURCHASE AGREEMENT AS OF  
THE DATE FIRST SET FORTH ABOVE

\* Person(s) signing hereby swear and affirm that they are authorized to act and acknowledge that the State is relying on their representations to that effect.

<p>ZIONS FIRST NATIONAL BANK, solely in its capacity as trustee under the Indenture</p> <p>By Stephanie Nicholls, Authorized Signatory</p> <p>_____</p> <p align="center">*Signature</p>	<p align="center">STATE OF COLORADO John W. Hickenlooper GOVERNOR Department of Treasury</p> <p align="center">_____</p> <p align="center">By Walker R. Stapleton, State Treasurer</p>
<p>STATE OF COLORADO</p> <p>John W. Hickenlooper GOVERNOR Department of Personnel &amp; Administration Office of the State Architect, Real Estate Programs For the Executive Director</p> <p>By: _____</p> <p align="center">Michael R. Karbach, Manager of Real Estate Programs</p>	<p align="center">LEGAL REVIEW John W. Suthers, Attorney General</p> <p>By: _____</p> <p align="center">Heidi Dineen, Assistant Attorney General</p>

**ALL CONTRACTS REQUIRE APPROVAL BY THE STATE CONTROLLER**

**CRS §24-30-202 requires the State Controller to approve all State Contracts. This Contract is not valid until signed and dated below by the State Controller or delegate. Contractor is not authorized to begin performance until such time. If Contractor begins performing prior thereto, the State of Colorado is not obligated to pay Contractor for such performance or for any goods and/or services provided hereunder.**

**STATE CONTROLLER  
David J. McDermott, CPA**

By: \_\_\_\_\_

David J. McDermott, State Controller

Date: \_\_\_\_\_

STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER )

The foregoing instrument was acknowledged before me this 5<sup>th</sup> day of December, 2012 by Stephanie Nicholls, as an authorized signatory of Zions First National Bank.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[NOTARIAL SEAL]

\_\_\_\_\_  
Notary

My commission expires:

\_\_\_\_\_

STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER )

The foregoing instrument was acknowledged before me this 5<sup>th</sup> day of December, 2012, by Walker R. Stapleton, Colorado State Treasurer, acting on behalf of the State of Colorado.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[NOTARIAL SEAL]

\_\_\_\_\_  
Notary

My commission expires:

\_\_\_\_\_

**EXHIBIT A**

**LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED PROPERTY**

**Description of the Real Property**

**ELBERT SCHOOL DISTRICT NO. 200**

Legal Description

Parcel A

That part of the Southeast 1/4 of the Northeast 1/4 and the Northeast 1/4 of the Southeast 1/4 of Section 34, Township 9 South, Range 64 West of the 6th P.M., particularly described by metes and bounds as follows, to wit:

BEGINNING at the point of intersection between the West line of said Northeast 1/4 of the Southeast 1/4 of said Section and the center line of an East and West public road or highway as now established:

running thence, North on the West line of said two forty acre tracts 446 feet to a stake; thence, East, 358 feet to the center line of a North and South public road or highway as now established (May 4, 1944);

thence, South 1° 30' West, along the center line of said last mentioned road or highway, 165 feet to an angle in said road or highway;

thence, South 20° West, along the center line of said road or highway, 290 feet, more or less, to the intersection of the center lines of said two roads or highways;

thence, South 88° 15' West, along the center line of said first mentioned road or highway, 318 feet, more or less, to the PLACE OF BEGINNING,

EXCEPT that portion of the Southeast 1/4 of the Northeast 1/4 of Section 34, Township 9 South, Range 64 West of the 6th P.M. deeded to D & D Oil Company, Inc. by instrument recorded August 21, 1981 in Book 341 at Page 449, described as follows:

COMMENCING at the Southwest corner of said Southeast 1/4 of the Northeast 1/4;

thence, North along the West line of said Southeast 1/4 of the Northeast 1/4, 281 feet, more or less, to the South line of the Tract conveyed to the School in Book 195 at Page 147;

thence, North 89° 15' 00" East, along the South line of the Tract described in Book 195 at Page 147, and an extension of that line for 277.2 feet to the TRUE POINT OF BEGINNING;

thence, North 89° 15' 00" East for 110.65 feet to the old Road Right of Way; thence, South 01° 30' 00" West along said road Right of Way for 127.78 feet; thence, South 89° 15' 00" West for 111.67 feet;

thence, North 01° 57' 21" East for 127.83 feet to the TRUE POINT OF BEGINNING

County of Elbert,  
State of Colorado.

Parcel B

A parcel of land in the Southeast 1/4 of the Northeast 1/4 of Section 34, Township 9 South, Range 64 West of the 6th P.M., described as:  
COMMENCING at the Southwest corner of the Southeast 1/4 of the Northeast 1/4 of Section 34, Township 9 South, Range 64 West of the 6th P.M.;  
thence, North, 281 feet, more or less, along the West line of said Southeast 1/4 of the Northeast 1/4 to an iron stake, being the POINT OF BEGINNING;  
thence, for quantity North along the West line of said Southeast 1/4 of the Northeast 1/4, 450 feet to a steel pin;  
thence, East at right angles, 271 feet;  
thence, South at right angles, 450 feet;  
thence, West at right angles, 271 feet to the POINT OF BEGINNING,

County of Elbert,  
State of Colorado.

Parcel C

That part of the Northwest 1/4 of the Southeast 1/4 and the Southwest 1/4 of the Northeast 1/4 of Section 34, Township 9 South, Range 64 West of the 6th P.M., described as follows:

BEGINNING at the Southeast corner of said Southwest 1/4 of the Northeast 1/4;  
thence, Northerly along the East line of said Southwest 1/4 of the Northeast 1/4, a distance of 731 feet;  
thence on an angle to the left of 90°, a distance of 200.00 feet;  
thence on an angle to the left of 90°, a distance of 873.00 feet;  
thence on an angle to the left of 90°, a distance of 200.00 feet to a point of intersection with the East line of said Northwest 1/4 of the Southeast 1/4;  
thence, Northerly along said East line, a distance of 142.00 feet, more or less, to the POINT OF BEGINNING,

County of Elbert,  
State of Colorado.

### **GENOA-HUGO SCHOOL DISTRICT NO. C-113**

#### **Legal Description**

A tract of land being a part of School Addition as annexed to the Town of Hugo in Book 258, Page 296, recorded May 3, 1967 in the records of the Lincoln County Clerk and Recorder, described as follows: a tract of land located in Section 31, Township 10 South, Range 54 West of the 6th P.M., being more particularly described as follows:

COMMENCING at the southwest corner of said School Addition, being the Point of Beginning N28°36'28"E along said Westerly line of said School Addition, a distance of 409.58 feet; Thence S88°52'14"E a distance of 653.71 feet; Thence S01°07'45"W a distance of 133.20 feet; Thence S23°00'40"W a distance of 573.77 feet to the northerly right of way line of Highway 40; Thence

along said northerly right of way line of Highway 40 on a curve to the right with a radius of 11385.00 feet and an arc length of 697.83 feet to the Point of Beginning.  
Above tract contains 8.66 Acres± or 377108.09 Sq. Ft.

### **HI-PLAINS SCHOOL DISTRICT R-23**

#### **Legal Description**

##### **TRACT A:**

A parcel of land located in a portion of the Northeast quarter of Section 3, Township 9 South, Range 49 West of the 6th P.M. in Kit Carson County, Colorado more particularly described as follows:

Commencing from the Northwest corner of the Northeast Quarter of said Section 3, S76°31'02"E a distance of 876.32 feet to a point on the southeasterly right of way line of State Highway 24 being the TRUE POINT OF BEGINNING;

Thence S01°26'14"W a distance of 2447.67 feet; Thence S89°53'31"W a distance of 831.13 feet; Thence N01°12'55"E, a distance of 1578.47 feet; Thence S89°49'00"W a distance of 20.66 feet to a point being the southeast corner of that parcel described at Reception No. 348461 of Kit Carson County records; Thence N02°18'50"E along the east line of said parcel and the east line of a parcel described at Reception No. 282309 of Kit Carson County records, a distance of 788.99 feet to a highway right of way marker on the south line of State Highway 24; Thence N75°06'19"E along the southeasterly right of way line of State Highway 24, a distance of 34.04 feet to the northeast corner of a parcel of land described in Warranty Deed filed July 13, 2006 at Reception No. 200600545121; Thence the following four (4) courses along the boundary of said parcel;

1. S00°57'50"W a distance of 471.50 feet;
2. S89°02'11"E a distance of 224.90 feet;
3. N37°57'49"E a distance of 482.42 feet;
4. N15°02'11"W a distance of 225.46 feet to the northeast corner of said parcel, also being on the southeasterly right of way State Highway 24; Thence N74°54'36"E along the southeasterly right of way line of State Highway 24, a distance of 376.05 feet to the TRUE POINT OF BEGINNING.

Bearings used herein were based on the North line of the NW ¼ being N89°22'12"E, monumented with a 5/8" rebar and 3-1/4" aluminum cap #10586 inside a monument box located at Highway 59 for the Northwest corner and 5/8" rebar with a 3-1/4" dia. aluminum cap #10586 at the North Quarter corner.

### **LAKE COUNTY SCHOOL DISTRICT NO. R-1**

#### **Legal Description**

A portion of land over and across a portion of the Southwest Quarter of Section 23 and the Northwest Quarter of Section 26 in Township 9 South, Range 80 West of the 6th Principal Meridian, lying within Stevens & Leiter's Subdivision of Mineral Survey No. 271, Lake County, Colorado, being more particularly described as follows:

Commencing at the northwest corner of Block 39, said Stevens & Leiter's Subdivision of Mineral Survey No. 271; thence S73°40'00"W (Basis of bearings is the westerly line of Blocks 24 & 39 assumed to bear S16°20'00"E, monumented at it's north end with a #3 Rebar and at it's south end with an illegible monument), 90.00 feet to the northeast corner of Lot 34, Block 40, said point

also being the Point of Beginning; thence S16°20'00"E, 313.00 feet; thence S73°40'00"W, 300.00 feet; thence N16°20'00"W, 193.00 feet to the southwest corner of Lot 23, Block 40; thence N73°40'00"E, 25.00 feet to the southeast corner of said Lot 23; thence N16°20'00"W, 120.00 feet to the northwest corner of Lot 24, Block 40; thence N73°40'00"E, 275.00 feet to the Point of Beginning.

Containing a calculated area of 90,900 square feet (2.09 acres), more or less.

### **MONTEZUMA-CORTEZ SCHOOL DISTRICT RE-1**

#### Legal Description

Lot 3, Schwartz Minor Subdivision, a subdivision of Lot 2, Schwartz Subdivision, a part of s/2 of Section 25, Township 36 North, Range 16 West, N.M.P.M., according to the office of the Clerk and Recorder, recorded May 24, 2005, Plat Book 15 at Page 149 and AMENDED PLAT recorded September 15, 2005, Plat Book 16 at Page 16. Except any portion recorded under Reception Number 518144 and 518145.

Except any portion recorded in Book 495 at Page 252. County of Montezuma, State of Colorado.

### **OTIS SCHOOL DISTRICT NO. R-3**

#### Legal Description

Parcel I:

Original Town of Otis, Colorado

Block 7 - Lots 3-5, inclusive, Lots 9-12, inclusive,

Block 8 - Lots 1-6, inclusive,

According to the recorded plat thereof, filed February 14, 1888 as Reception No. 2294, Plat Book 1 at Page 40 of the records of the County Clerk and Recorder of Washington County, Colorado.

Parcel II:

That part of the Northeast quarter of the Southeast quarter (NE1/4 SE1/4) of Section 9, Township 2 North, Range 50 West of the 6th P.M., Washington County, Colorado, which is described as follows: Commencing at a point 1373.13 feet North of the Southeast corner of said Section 9, and 398.08 feet West, and from thence continuing West parallel to the South line of the said NE1/4 SE1/4 of said Section 9, a distance of 722 feet; thence turning at an interior angle left of 91°20' and continuing North a distance of 603.32 feet; thence turning an interior angle left of 88°40' and continuing East a distance of 722 feet; thence turning an interior angle left 91°20' and continuing South a distance of 603.32 feet to the point of beginning. According to the recorded plat thereof, filed March 15, 1977 as Reception No. 724759, Plat Book 2 at Page 67 of the records of the County Clerk and Recorder of Washington County, Colorado.

Parcel III

That part of Fourth Street lying between Blocks 7 and 8 of the Original Town of Otis, Colorado, more particularly described as follows: Starting at the Northeast corner of Lot 6, Block 7 running thence North a distance of 80 feet to the Southeast corner of Lot 1, Block 8; thence West in the North line of said Fourth Street a distance of 312 feet to the East line of Dungan Avenue; thence South in said East line a distance of 80 feet to the South line of said Fourth Street; thence East in said South line a distance of 312 feet to the point beginning; AND the alley lying between Work Avenue and Dungan Avenue in Block 8 of said Original Town, and extending from the North line of said Fourth Street to the North line of said Block 8.

Parcel IV:

The portion of Third Street in the Original Town of Otis, Colorado, lying between Dungan Avenue and Work Avenue and more particularly described as follows: to-wit: Beginning at the Northeast corner of Lot 12, Block 6 of the Original Town of Otis, thence due North for a distance of 80 feet, thence due West for a distance of 300 feet, thence due South for a distance of 80 feet, thence due East for a distance of 300 feet, back to the place of beginning; AND the alleys in Blocks 6 and 7 in the Original Town of Otis, Colorado, according to the recorded plat thereof.

Parcel V:

Original Town of Otis, Colorado

Block 7 - Lots 1 and 2 & Lots 7 and 8,

According to the recorded plat thereof, filed February 14, 1888 as Reception No. 2294, Plat Book 1 at Page 40 of the records of the County Clerk and Recorder of Washington County, Colorado.

(NOTE: Registered Torrens Land, Certificate #3240, Book 16 at Page 113)

**PLATTE VALLEY SCHOOL DISTRICT NO. RE3**

Legal Description

Commencing from the Northwest corner of Lot 32, Block 26, Town of Ovid recorded at Reception No. 169052 at the Sedgwick County Clerk and Recorder's office in Julesburg, Colorado; N01°21'30"W a distance of 40.0 feet to the Point of Beginning; Thence N01°21'30"W a distance of 39.88 feet to a found corner; Thence S88°54'50"W along the north line of former Clark Ave., a distance of 309.46 feet; Thence S01°06'01"E a distance of 233.34 feet; Thence S88°41'37"W a distance of 155.56 feet; Thence N01°18'23"W a distance of 193.93 feet to the centerline of former Clark Ave.; Thence S88°57'46"W along said centerline, a distance of 153.03 feet to the Point of Beginning.

Above parcel contains 0.98 Acres± or 4254.93 Sq Ft.

**SHERIDAN SCHOOL DISTRICT NO. 2**

Legal Description

That portion of a parcel of land described in Book 2563 at Page 673 of the Arapahoe County, Colorado records described as follows:

Basis of bearings is the north line of the southwest quarter of Section 5, T5S, R68W, of the 6<sup>th</sup> P.M., monumented at its west end with a 3-1/4" Aluminum Cap, LS 13155 and at its east end with a 3-1/4" Aluminum Cap, LS 16109. Said line bears S89°32'00"W, 2640.61 feet.

Commencing at the northeast corner of said parcel, thence S89°32'00"W along the north line of the southwest quarter of said Section 5, a distance of 80.00 feet to the Point of Beginning;

- 1) Thence continuing S89°32'00"W, along the northerly line of said parcel, 904.47 feet;
- 2) Thence along the westerly line of said parcel the following three (3) courses;
  - a. S00°17'16"E, 95.88 feet;
  - b. S39°27'44"W, 21.50 feet;
  - c. S00°23'16"E, 648.50 feet to a point on the southerly line of said parcel;
- 3) Thence S87°36'16"E along said southerly line, 476.60 feet;
- 4) Thence N89°18'57"E, 274.80 feet;
- 5) Thence N00°09'16"W, 199.62 feet;
- 6) Thence N35°43'21"W, 54.12 feet;
- 7) Thence S89°18'57"W, 285.05 feet;
- 8) Thence N01°16'13"W, 123.00 feet;
- 9) Thence N89°18'25"E, 483.33 feet;
- 10) Thence N00°09'16"W, 416.00 feet to the Point of Beginning.

Containing a calculated area of 611,805 square feet (14.045 acres), more or less.

## **WELD COUNTY SCHOOL DISTRICT NO. 6**

### **Legal Description**

A 20 acre tract of land being part of the NW1/4 of Section 28, Township 5 North, Range 66 West of the 6th P.M., City of Evans, County of Weld, State of Colorado, more particularly described as follows:

Commencing at the NW corner of said Section 28 and assuming the North line of the NW1/4 to bear N89°31'10"E, a grid bearing of the Colorado State Plane Coordinate System, North Zone, North American Datum 1983/92, a distance of 2630.69 feet with all other bearings herein relative thereto; N89°31'10"E along the north line of the said NW1/4 of Section 28 a distance of 2008.67 feet to the True Point of Beginning; Thence continuing N89°31'10"E along the north line of the said NW1/4 of Section 28 a distance of 428.51 feet to the northwest corner of a parcel of land described in instrument recorded January 29, 2003 at Reception No. 3027928 of the records of Weld County; the next 2 courses are along the westerly and southerly lines of that parcel of land described in Reception No. 3027928 of the records of Weld County: S00°34'47"E a distance of 248.42 feet; thence S89°41'55"E a distance of 191.21 feet to the east line of the said NW1/4 of Section 28; thence S00°03'05"E along the east line of the said NW1/4 of Section 28 a distance of 1258.28 feet; thence S89°56'55"W a distance of 93.78 feet to a point of curve (PC); thence along the arc of a curve concave to the northeast a distance of 92.19 feet, said curve having a radius of 450.00 feet, a delta of 11 °44' 15" and being subtended by a chord bearing N84°10'58"W a distance of 92.02 feet to a point of tangency (PT); thence N78°18'50"W a distance of 151.97 feet to a PC; thence along the arc of a

curve concave to the southwest a distance of 95.56 feet, said curve having a radius of 450.00 feet, a delta of  $12^{\circ}10'01''$  and being subtended by a chord bearing  $N84^{\circ}23'50''W$  a distance of 95.38 feet to a PT; thence  $S89^{\circ}31'10''W$  a distance of 192.97 feet; thence  $N00^{\circ}03'05''W$  a distance of 1456.38 feet to the north line of the said NW1/4 of Section 28 and the True Point of Beginning, County of Weld, State of Colorado.

Said Parcel contains 20.0 Acres $\pm$  or 871435.12 Sq. Ft.

## EXHIBIT B

### BASE RENT PAYMENT SCHEDULE

<b>Base Rent Payment Date</b>	<b>Amortizing Principal</b>	<b>Series 2012H Interest</b>	<b>Total Scheduled Base Rent</b>
09/12/2013	\$ --	\$ 5,310,600.31	\$ 5,310,600.31
03/12/2014	1,810,000	3,426,193.75	5,236,193.75
09/12/2014	--	3,408,093.75	3,408,093.75
03/12/2015	3,780,000	3,408,093.75	7,188,093.75
09/12/2015	--	3,350,293.75	3,350,293.75
03/12/2016	3,895,000	3,350,293.75	7,245,293.75
09/12/2016	--	3,291,343.75	3,291,343.75
03/12/2017	4,005,000	3,291,343.75	7,296,343.75
09/12/2017	--	3,231,293.75	3,231,293.75
03/12/2018	4,125,000	3,231,293.75	7,356,293.75
09/12/2018	--	3,170,043.75	3,170,043.75
03/12/2019	4,245,000	3,170,043.75	7,415,043.75
09/12/2019	--	3,063,918.75	3,063,918.75
03/12/2020	4,455,000	3,063,918.75	7,518,918.75
09/12/2020	--	2,981,318.75	2,981,318.75
03/12/2021	4,620,000	2,981,318.75	7,601,318.75
09/12/2021	--	2,865,818.75	2,865,818.75
03/12/2022	4,850,000	2,865,818.75	7,715,818.75
09/12/2022	--	2,788,818.75	2,788,818.75
03/12/2023	5,005,000	2,788,818.75	7,793,818.75
09/12/2023	--	2,688,718.75	2,688,718.75
03/12/2024	5,205,000	2,688,718.75	7,893,718.75
09/12/2024	--	2,606,493.75	2,606,493.75
03/12/2025	5,365,000	2,606,493.75	7,971,493.75
09/12/2025	--	2,499,193.75	2,499,193.75
03/12/2026	5,580,000	2,499,193.75	8,079,193.75
09/12/2026	--	2,402,593.75	2,402,593.75
03/12/2027	5,770,000	2,402,593.75	8,172,593.75
09/12/2027	--	2,287,193.75	2,287,193.75
03/12/2028	6,000,000	2,287,193.75	8,287,193.75
09/12/2028	--	2,167,193.75	2,167,193.75
03/12/2029	6,240,000	2,167,193.75	8,407,193.75
09/12/2029	--	2,042,393.75	2,042,393.75
03/12/2030	6,485,000	2,042,393.75	8,527,393.75
09/12/2030	--	1,912,693.75	1,912,693.75
03/12/2031	6,745,000	1,912,693.75	8,657,693.75
09/12/2031	--	1,777,793.75	1,777,793.75
03/12/2032	7,010,000	1,777,793.75	8,787,793.75
09/12/2032	--	1,637,593.75	1,637,593.75
03/12/2033	35,370,000	1,637,593.75	37,007,593.75
09/12/2033	--	1,062,831.25	1,062,831.25
03/12/2034	32,180,000	1,062,831.25	33,242,831.25
09/12/2034	--	539,906.25	539,906.25
03/12/2035	<u>33,225,000</u>	<u>539,906.25</u>	<u>33,764,906.25</u>
<b>Total</b>	<b>\$195,965,000</b>	<b>\$112,287,881.56</b>	<b>\$308,252,881.56</b>

**EXHIBIT C**

**TRUSTEE'S FEES AND EXPENSES**



**December 6, 2012  
STATE OF COLORADO  
BUILDING EXCELLENT SCHOOLS TODAY SERIES 2012H**

We are pleased to set forth the following fee schedule for Trustee services related to the above-referenced financing:

**Fee Schedule**

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<u>Acceptance Fee</u> .....	\$4,000.00
Covering the Trustee's study and consideration of the governing documents, including the preparation and establishment of the necessary accounts and files and performing all duties associated with the closing.	
<u>Annual Trustee Fee</u> .....	\$4,500.00
Covering ordinary administrative duties of the Trustee, Paying Agent and Registrar as set forth in the governing documents so long as no default exists. The annual Trustee fee is payable in advance.	
<u>Initial Trustee Counsel Fee</u> .....	Waived
Covering the trustee counsel's study and consideration of the governing documents and issuance of a trustee opinion.	
<u>Paying Agent and Registrar Fees</u> .....	Included in Annual Trustee Fee
<u>Out of Pocket Expenses</u> .....	At Cost
We will not charge for customary expenses incurred in the ordinary administration of accounts but will bill at cost for DTC charges, UCC set-up/continuation/termination fees and non-routine costs such as travel, publication, and legal costs incurred as required or authorized during the acceptance and administration of the trust. Overnight delivery charges will be billed at \$15/minimum or at cost if over \$15.00.	

The aforementioned fees will cover normal services contemplated by such documents and are subject to change as circumstances may warrant. In the event of unusual complexities and special or extraordinary events, such as amendments to the documents, execution of additional documents or agreements, significant transaction increases, the necessity to hire agents, defaults or other miscellaneous requests for additional services, we reserve the right to charge an additional amount based on the time and expenses incurred in handling such events should they occur.

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After recording return to:  
Michael R. Johnson  
Kutak Rock LLP  
1801 California Street, Suite 3100  
Denver, Colorado 80202

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**FORM OF**  
**STATE OF COLORADO**  
**BUILDING EXCELLENT SCHOOLS TODAY**  
**SITE LEASE OF [NAME OF SITE LESSOR]**

by and between

\_\_\_\_\_,  
**as site lessor**

and

**ZIONS FIRST NATIONAL BANK ,**  
**solely in its capacity as Trustee under the Indenture identified herein,**  
as site lessee

Dated as of December 6, 2012

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**STATE OF COLORADO  
BUILDING EXCELLENT SCHOOLS TODAY  
SITE LEASE OF \_\_\_\_\_**

This State of Colorado Building Excellent Schools Today Site Lease (this "Site Lease") is dated as of December 6, 2012 and is entered into by and between \_\_\_\_\_ (the "Site Lessor"), as lessor, and Zions First National Bank, a national banking association duly organized and validly existing under the laws of the United States, solely in its capacity as trustee under the Indenture (the "Trustee"), as lessee. *Capitalized terms used but not defined in this Site Lease have the meanings assigned to them in the Glossary attached to the State of Colorado Building Excellent Schools Today Master Trust Indenture dated August 12, 2009, as such Glossary has been amended, supplemented and restated by the Glossary attached to the State of Colorado Building Excellent Schools Today Series 2012H Supplemental Trust Indenture dated December 6, 2012 and as it may further be amended, supplemented and restated from time to time.*

RECITALS

A. The Site Lessor owns the land described in attached Exhibit A hereto (the "Land") and the buildings, structures and improvements now or hereafter located on the Land (the Land and such buildings, structures and improvements, collectively, are referred to as the "Leased Property").

B. The Site Lessor is authorized by applicable law, its governing documents, if relevant, and action of its Governing Body to, and will, lease the Leased Property to the Trustee pursuant to this Site Lease. The State Treasurer, on behalf of the State and on the instructions of the Assistance Board, will lease the Leased Property from the Trustee pursuant to the 2012H Lease.

C. The State Treasurer, on behalf of the State, on the instructions of the Assistance Board and as authorized under the Act, will sublease the Leased Property to the Sublessee identified in the Sublease under which the Leased Property is subleased to such Sublessee. Proceeds of the Series 2012H Certificates issued pursuant to the Indenture will be used to finance the Project of such Sublessee.

AGREEMENT

For and in consideration of the mutual covenants and the representations, covenants and warranties herein contained, the parties hereto hereby agree as follows:

**ARTICLE I**

**CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS**

**Section 1.01. Representations, Covenants and Warranties by Trustee.** The Trustee hereby certifies, represents and agrees that all the certifications, representations and agreements of the Trustee set forth in Section 6.01 of the Master Indenture are true and accurate and makes

the same certifications, representations and agreements under this Site Lease as if set forth in full herein.

**Section 1.02. Certifications, Representations and Agreements by Site Lessor.** The Site Lessor certifies, represents and agrees that:

(a) The Site Lessor is a Participating K-12 Institution or is the Chartering Authority for a Participating K-12 Institution that is a charter school.

(b) The Site Lessor is duly organized, validly existing and in good standing under Colorado law. The Site Lessor is authorized under applicable law, its governing documents, if relevant, and action of its Governing Body to lease the Leased Property to the Trustee pursuant to this Site Lease and to execute, deliver and perform its obligations under this Site Lease.

(c) The Site Lessor is the owner of the fee interest in the Leased Property, subject only to Permitted Encumbrances.

(d) The Site Lessor has received all approvals and consents required for the Site Lessor's execution, delivery and performance of its obligations under this Site Lease.

(e) This Site Lease has been duly executed and delivered by the Site Lessor and is enforceable against the Site Lessor in accordance with its terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

(f) The execution, delivery and performance of this Site Lease does not and will not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Site Lessor is now a party or by which the Site Lessor is bound, or constitute a default under any of the foregoing, violate any Requirement of Law applicable to the Site Lessor, or, except as specifically provided in the 2012H Lease, the Indenture and the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or to a charter school for which the Site Lessor is the Chartering Authority, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the Site Lessor.

(g) There is no litigation or proceeding pending or threatened against the Site Lessor or any other Person affecting the right of the Site Lessor to execute, deliver or perform the obligations of the Site Lessor under this Site Lease.

(h) The Site Lessor will receive economic and other benefits by the leasing of the Leased Property by the Site Lessor pursuant to this Site Lease. The initial Leased Property leased pursuant to this Site Lease is, and any Leased Property substituted for the initial Leased Property will be, property that is necessary and essential to the purposes

and operations of the Site Lessor or a Participating K-12 Institution for which the Site Lessor is the Chartering Authority. The Site Lessor expects that the Leased Property will adequately serve the needs for which it is being leased throughout the Scheduled Site Lease Term.

(i) The Site Lessor is not aware of any current violation of any Requirement of Law relating to the Leased Property and accepts full responsibility for any prior or future violations of any Requirement of Law relating to environmental issues relating to the Leased Property.

(j) Minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property of the general character of the Leased Property that exist with respect to the Leased Property do not materially impair title to the Leased Property.

## **ARTICLE II**

### **DEMISING CLAUSE; ENJOYMENT OF LEASED PROPERTY**

**Section 2.01. Demising Clause.** The Site Lessor demises and leases the land described in Exhibit A hereto (the “Land” for purposes of this Site Lease) and the buildings, structures and improvements now or hereafter located on the Land (the “Leased Property” for purposes of this Site Lease) to the Trustee in accordance with the terms of this Site Lease, subject only to Permitted Encumbrances, to have and to hold for the Site Lease Term.

**Section 2.02. Enjoyment of Leased Property.** The Site Lessor covenants that, during the Site Lease Term and so long as no Event of Default hereunder shall have occurred, the Trustee shall peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Site Lessor, except as expressly required or permitted by this Site Lease.

## **ARTICLE III**

### **SITE LEASE TERM; TERMINATION OF SITE LEASE**

**Section 3.01. Site Lease Term.**

(a) The Site Lease Term shall commence on the date this Site Lease is executed and delivered and shall expire upon the earliest of any of the following events:

(i) December 6, 2056;

(ii) conveyance of the Leased Property to the Site Lessor pursuant to the Sublease relating to the Leased Property;

(iii) termination of this Site Lease following an Event of Default under this Site Lease in accordance with Section 10.02(a) hereof; or

(iv) cancellation of the Sublease pursuant to which the Leased Property is subleased pursuant to Section 3.03 of such Sublease.

**Section 3.02. Effect of Termination of Site Lease Term.** Upon termination of the Site Lease Term, all unaccrued obligations of the Trustee hereunder shall terminate, but all obligations of the Trustee that have accrued hereunder prior to such termination shall continue until they are discharged in full.

#### **ARTICLE IV**

#### **SITE LESSOR IS THIRD PARTY BENEFICIARY OF CERTAIN COVENANTS OF STATE IN 2012H LEASE**

The Site Lessor and its successors and assigns are intended third party beneficiaries of the covenants of the State in Articles VI and VII and Section 9.02, 9.03(b) and 12.02 and of the Trustee in Section 9.03(a) of the 2012H Lease (the "Site Lessor Protection Provisions"). If the 2012H Lease is terminated for any reason, this Site Lease is not terminated and the Trustee leases or subleases all or any portion of the Leased Property or assigns an interest in this Site Lease, as a condition to such lease, sublease or assignment, the lessee, sublessee or assignee must execute an instrument, in form and substance reasonably satisfactory to the Site Lessor, that contains substantially the same covenants as the Site Lessor Protection Provisions and names the Site Lessor and its successors and assigns as intended third party beneficiaries of such covenants. Any provision of this Site Lease that is similar to any of the Site Lessor Protection Provisions shall not be interpreted to limit or restrict the rights of the Site Lessor under this Article.

#### **ARTICLE V**

#### **RENT**

The Trustee is not obligated to pay any rent under this Site Lease. The consideration to the Site Lessor for the right to use the Leased Property during the Site Lease Term is the deposit of proceeds of the Series 2012H Certificates into the Project Account held by the Trustee under the Indenture to finance the Project of the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority. The provisions of Article IV of this Site Lease are intended to assure that the State or another lessee, sublessee or assignee pays Additional Rent in accordance with the 2012H Lease or an amount equal to the Additional Rent that would have been paid under the 2012H Lease under another instrument executed and delivered pursuant to Article IV of this Site Lease.

#### **ARTICLE VI**

#### **TITLE TO LEASED PROPERTY; ENCUMBRANCES, EASEMENTS, MODIFICATIONS, SUBSTITUTION, DAMAGE, PERSONAL PROPERTY**

**Section 6.01. Title to Leased Property.** Title to the Leased Property shall be held in the name of the Site Lessor, subject to this Site Lease, the 2012H Lease and the Sublease of the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority.

**Section 6.02. Limitations on Disposition of and Encumbrances on Leased Property.**

Except as otherwise permitted in this Article or Article VII or VIII hereof and except for Permitted Encumbrances, the Site Lessor shall not sell, assign, transfer or convey any portion of or any interest in the Leased Property or directly or indirectly create, incur or assume any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property.

**Section 6.03. Granting of Easements.** The Site Lessor shall, at the request of the Trustee or the State consent to grants of easements, licenses, rights-of-way and other rights or privileges in the nature of easements with respect to the Leased Property on the same terms and in the same manner as the Trustee is required to do so pursuant to Section 7.03 of the 2012H Lease.

**Section 6.04. Subleasing and Other Grants of Use.** The Trustee is expressly authorized to lease or sublease the Leased Property to the State pursuant to the 2012H Lease. The State is expressly authorized to sublease the Leased Property to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority as Sublessee pursuant to a Sublease. The Trustee is expressly authorized to lease or sublease the Leased Property to or create other interests in the Leased Property for the benefit of any other Person or Persons in connection with the exercise of the Trustee's remedies under the 2012H Lease and the Indenture following an Event of Default or Event of Nonappropriation under the 2012H Lease.

**Section 6.05. Substitution of Other Property for Leased Property.** If the State substitutes other real property under the 2012H Lease for any portion of the Site Lessor's Leased Property, the property so substituted under the 2012H Lease may also be substituted for Leased Property under this Site Lease in any manner and on any terms determined by the State in its sole discretion.

**Section 6.06. Property Damage, Defect or Title Event.** If a Property Damage, Defect or Title Event occurs with respect to any portion of the Leased Property, the Net Proceeds received as a consequence thereof shall be deposited and used in accordance with Section 7.07 of the 2012H Lease.

**Section 6.07. Condemnation by State or Site Lessor.** In the event the State brings an eminent domain or condemnation proceeding with respect to the Leased Property and the 2012H Lease has not terminated, the terms of Section 7.08 of the 2012H Lease shall apply. In the event the Site Lessor brings an eminent domain or condemnation proceeding with respect to the Leased Property and the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority has not terminated, the terms of Section 8.08 of such Sublease shall apply. If (a) the 2012H Lease or the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority are terminated for any reason, (b) this Site Lease is not terminated and (c) the Trustee leases or subleases all or any portion of the Leased Property or assigns an interest in this Site Lease to a governmental entity that has eminent domain or condemnation powers, such lease or sublease shall include a provision similar to Section 7.08 of the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority.

**Section 6.08. Personal Property of Trustee, State and Others.** The Trustee, the State, the Sublessee and any other Person who has the right to use the Leased Property under this Site Lease, the 2012H Lease or the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority, at its own expense, may install equipment and other personal property in or on any portion of the Leased Property, which equipment or other personal property shall not become part of the Leased Property unless it is permanently affixed to the Leased Property or removal of it would materially damage the Leased Property, in which case it will become part of the Leased Property.

## ARTICLE VII

### LICENSES AND SHARED UTILITIES

**Section 7.01. Access Licenses.** The Site Lessor grants to the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, during the Site Lease Term, a non-exclusive blanket license over, upon and through the roadways, drive lanes, parking areas and sidewalks now or hereafter located on real property owned by the Site Lessor that is adjacent to but not included in the Leased Property (the “Access Area”) for the purpose of walking upon, moving equipment and goods and supplies through and driving vehicles upon, over and across all of the sidewalk areas, entrances, drives, lanes and parking areas, alleys and other areas for ingress and egress to and from the Leased Property; provided that such license shall not conflict with or adversely affect the use of the Access Area by the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them. The Trustee grants to the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, a non-exclusive blanket license over, upon and through the roadways, drive lanes, parking areas and sidewalks now or hereafter located on the Leased Property for the purpose of walking upon, moving equipment and goods and supplies through and driving vehicles upon, over and across all of the sidewalk areas, entrances, drives, lanes and parking areas, alleys and other areas for ingress and egress to and from the Access Area; provided that such license shall not conflict with or adversely affect the Trustee’s use of the Leased Property.

**Section 7.02. Appurtenant Staging Areas Licenses.** The Site Lessor grants to the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, during the Site Lease Term, non-exclusive licenses over, upon and through real property owned by the Site Lessor that is adjacent to but not included in the Leased Property (the “Appurtenant Staging Area”) for the purposes of constructing, placing, operating and maintaining all necessary pipes, vents, conduits, wires and utilities necessary to maintain and operate the Leased Property and for the maintenance of any nonmaterial encroachments of the improvements constituting the Leased Property; provided that such license shall not adversely affect the use of the Appurtenant Staging Area by the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them. The Trustee grants to the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, during the Site Lease Term, non-exclusive licenses over, upon and through the Leased Property for the purposes of constructing, placing, operating and maintaining all necessary pipes, vents, conduits, wires and utilities necessary to maintain and operate the Appurtenant Staging Area and for the maintenance of any nonmaterial encroachments

of the improvements constituting the Appurtenant Staging Area; provided that such license shall not adversely affect the use of the Leased Property by the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them.

**Section 7.03. Offsite Parking Licenses.** The Site Lessor grants to the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, during the Site Lease Term, a non-exclusive license for the use of areas designated as parking areas, and access to and from such parking areas, now or hereafter located on real property owned by the Site Lessor but not included in the Leased Property (the “Offsite Parking Area”) for the purpose of parking of passenger vehicles (buses and similar vehicles excluded) in connection with the use of the Leased Property by the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them; provided that such license shall not conflict with or adversely affect the use of the Offsite Parking Area by the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them; and provided, further that, the Site Lessor reserves the right to implement and enforce reasonable rules and regulations for the use of the Offsite Parking Area, including, without limitation: (a) to direct and regulate vehicular traffic and provide safe vehicular access to and from the Offsite Parking Area; (b) to specify and enforce rules and regulations with regard to the use of the Offsite Parking Area spaces; (c) to designate certain parking spaces to be used only by handicapped drivers, employees or visitors; (d) to implement and enforce parking fees and fines; and (e) to restrict time periods for permitted parking. The Trustee grants to the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, during the Site Lease Term, a non-exclusive license for the use of areas designated as parking areas, and access to and from such parking areas, now or hereafter located on the Leased Property (the “Onsite Parking Area”) for the purpose of parking of passenger vehicles (buses and similar vehicles excluded) in connection with the use of other real property not included in the Leased Property by the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them; provided that such license shall not conflict with or adversely affect the use of the Onsite Parking Area by the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them; and provided, further that, the Trustee reserves the right to implement and enforce reasonable rules and regulations for the use of the Onsite Parking Area similar to those implemented and enforced by the Site Lessor with respect to the Offsite Parking Area.

**Section 7.04. Shared Utilities.** The Site Lessor agrees to provide the Leased Property with all gas, water, steam, electricity, heat, power and other utilities provided by Site Lessor to the Leased Property on the date hereof on a continuous basis except for periods of repair. The Site Lessor shall be entitled to reimbursement for its actual and reasonable costs incurred in providing such utilities, determined in a fair and reasonable manner based on the use of such utilities by the Leased Property or portions thereof, the operational, maintenance and repair costs of such utilities elements and any costs to acquire or relocate any easements or lines relating to or used in connection with the operation of such utilities. Pursuant to the 2012H Lease, the State has agreed to reimburse the Trustee for such costs during the Lease Term of the 2012H Lease. Pursuant to the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority, the Sublessee under such Sublease, has agreed to reimburse the State for such costs during the Sublease Term of such Sublease. If, (a) the 2012H Lease is terminated for any reason, (b) this Site Lease is not

terminated and (c) the Trustee leases or subleases all or any portion of the Leased Property or assigns an interest in this Site Lease, the lessee, sublessee or assignee, as a condition to such lease, sublease or assignment, must agree to reimburse the Site Lessor for such costs.

## **ARTICLE VIII**

### **GENERAL COVENANTS**

**Section 8.01. Further Assurances and Corrective Instruments.** So long as this Site Lease is in full force and effect, the Trustee and the Site Lessor shall have full power to carry out the acts and agreements provided herein and the Site Lessor and the Trustee, at the written request of the other, shall from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property leased or intended to be leased hereunder, or for otherwise carrying out the intention of or facilitating the performance of this Site Lease.

**Section 8.02. Compliance with Requirements of Law.** On and after the date hereof, the Site Lessor shall not take any action with respect to the Leased Property that violates the terms hereof or is contrary to the provisions of any Requirement of Law.

**Section 8.03. Participation in Legal Actions.** At the request of and at the cost of the Trustee or the State, the Site Lessor shall join and cooperate fully in any legal action in which the Trustee or the State asserts its right to the enjoyment of the Leased Property; that involves the imposition of any charges, costs or other obligations or liabilities on or with respect to the Leased Property or the enjoyment of the Leased Property by the Trustee or the State; or that involves the imposition of any charges, costs or other obligations with respect to the Trustee's execution, delivery and performance of its obligations under this Site Lease or the State's execution, delivery and performance of its obligations under the 2012H Lease.

## **ARTICLE IX**

### **LIMITS ON OBLIGATIONS**

**Section 9.01. Disclaimer of Warranties.** THE SITE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE LEASED PROPERTY. In no event shall the Site Lessor be liable for any incidental, special or consequential damage in connection with or arising out of this Site Lease or the existence, furnishing, functioning or use by the Trustee of any item, product or service provided for herein.

**Section 9.02. Financial Obligations of Trustee Limited to Trust Estate.** Notwithstanding any other provision hereof, all financial obligations of the Trustee under this Site Lease, except those resulting from its willful misconduct or negligence, are limited to the Trust Estate.

## ARTICLE X

### EVENTS OF DEFAULT AND REMEDIES

**Section 10.01. Event of Default Defined.** An “Event of Default” under this Site Lease shall be deemed to have occurred upon failure by the Trustee to observe and perform any covenant, condition or agreement on its part to be observed or performed for a period of 30 days after written notice, specifying such failure and requesting that it be remedied shall be given to the Trustee by the Site Lessor, unless the Site Lessor shall consent in writing to an extension of such time prior to its expiration; provided, however, that:

(a) if the failure stated in the notice cannot be corrected within the applicable period, the Site Lessor shall not withhold its consent to an extension of such time if corrective action shall be instituted within the applicable period and diligently pursued until the default is corrected; and

(b) if, by reason of Force Majeure, the Trustee shall be unable in whole or in part to carry out any agreement on its part herein contained the Trustee shall not be deemed in default during the continuance of such inability; provided, however, that the Trustee shall, as promptly as legally and reasonably possible, remedy the cause or causes preventing the Trustee from carrying out such agreement, except that the settlement of strikes, lockouts and other industrial disturbances shall be solely within the discretion of the Trustee.

**Section 10.02. Remedies on Default.** Whenever any Event of Default shall have happened and be continuing, the Site Lessor may take one or any combination of the following remedial steps:

(a) terminate the Site Lease Term and give notice to the Trustee to immediately vacate the Leased Property;

(b) sell or lease its interest in all or any portion of the Leased Property, subject to the purchase option of the Sublessee under the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority;

(c) enforce any provision of this Site Lease by equitable remedy, including, but not limited to, enforcement of the restrictions on assignment, encumbrance, conveyance, transfer or succession under Article XI hereof by specific performance, writ of mandamus or other injunctive relief; and

(d) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under this Site Lease, subject, however, to the limitations on the obligations of the Trustee set forth in Section 9.02 hereof.

**Section 10.03. No Remedy Exclusive.** Subject to Section 9.02 hereof, no remedy herein conferred upon or reserved to the Site Lessor is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or

hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Site Lessor to exercise any remedy reserved in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article.

**Section 10.04. Waivers.** The Site Lessor may waive any Event of Default under this Site Lease and its consequences. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

## ARTICLE XI

### TRANSFERS OF INTERESTS IN LEASE OR LEASED PROPERTY

**Section 11.01. Assignment by Site Lessor.** The Site Lessor shall not, except as otherwise provided elsewhere in this Site Lease, assign, convey or otherwise transfer to any Person any of the Site Lessor's interest in the Leased Property or the Site Lessor's rights, title or interest in, to or under this Site Lease.

**Section 11.02. Transfer of the Trustee's Interest in Lease and Leased Property Prohibited.** Except as otherwise permitted by Section 6.04 hereof with respect to subleasing or grants of use of the Leased Property and Section 6.05 hereof with respect to substitutions or as otherwise required by law, the Trustee shall not sublease, assign, encumber, convey or otherwise transfer all or any portion of its interest in this Site Lease or the Leased Property to any Person, whether now in existence or organized hereafter.

**Section 11.03. Conveyance of Leased Property to State Pursuant to 2012H Lease.** The parties recognize and agree that, notwithstanding any other provision of this Site Lease, the 2012H Lease or any Sublease, upon conveyance of all the Leased Property subject to the 2012H Lease by the Trustee to the State pursuant to Article VIII of the 2012H Lease and conveyance of the Leased Property subject to this Site Lease by the State to the Sublessee pursuant Section 9.03 of the Sublease applicable to such Leased Property: (a) if the Site Lessor under this Site Lease and the Sublessee under such Sublease are the same, this Site Lease shall terminate; and (b) if the Site Lessor under this Site Lease and the Sublessee are not the same, this Site Lease shall continue with the Sublessee succeeding to the rights and obligations of the Trustee under this Site Lease.

## ARTICLE XII

### MISCELLANEOUS

**Section 12.01. Binding Effect.** This Site Lease shall inure to the benefit of and shall be binding upon the Trustee and the Site Lessor and their respective successors and assigns, including, but not limited to, the State under the 2012H Lease and the Sublessee under the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority, subject, however, to the limitations

set forth in Article XI hereof. This Site Lease and the covenants set forth herein are expressly intended to be covenants, conditions and restrictions running with the Leased Property and the leasehold estate in the Leased Property under this Site Lease.

**Section 12.02. Interpretation and Construction.** This Site Lease and all terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Site Lease. For purposes of this Site Lease, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Site Lease to designated “Articles,” “Sections,” “subsections,” “paragraphs,” “clauses” and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of this Site Lease. The words “herein,” “hereof,” “hereto,” “hereby,” “hereunder” and other words of similar import refer to this Site Lease as a whole and not to any particular Article, Section or other subdivision.

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

(c) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles applicable to governmental entities, subject to statutory exceptions and modifications, as in effect from time to time.

(d) The term “money” includes any cash, check, deposit, investment security or other form in which any of the foregoing are held hereunder.

(e) In the computation of a period of time from a specified date to a later specified date, the word “from” means “from and including” and each of the words “to” and “until” means “to but excluding.”

**Section 12.03. Acknowledgement of 2012H Lease and Sublease.** The Trustee has received a copy of, and acknowledges the terms of, the 2012H Lease and the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority.

**Section 12.04. Trustee, State and Site Lessor Representatives.** Whenever under the provisions hereof the approval of the Trustee, the State or the Site Lessor is required, or the Trustee, the State or the Site Lessor is required to take some action at the request of the other, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative, for the State by the State Representative and by the Site Lessor by the Site Lessor Representative and the Trustee, the State and the Site Lessor shall be authorized to act on any such approval or request. The Site Lessor Representative is the \_\_\_\_\_ of the Site Lessor or any Person appointed as Site Lessor Representative by such Person.

**Section 12.05. Manner of Giving Notices.** All notices, certificates or other communications hereunder shall be in writing and shall be deemed given when mailed by first

class United States mail, postage prepaid, or when sent by facsimile transmission or electronic mail, addressed as follows: if to the Site Lessor, to \_\_\_\_\_, Attention: Superintendent, facsimile number: \_\_\_\_\_, electronic mail address: \_\_\_\_\_; if to the Trustee, to Zions First National Bank, 1001 Seventeenth Street, Suite 850, Denver, Colorado 80202, Attention: Corporate Trust Services, facsimile number: 855-547-6178, electronic mail address: [denvercorporatetrust@zionsbank.com](mailto:denvercorporatetrust@zionsbank.com); and if to the State, to Colorado State Treasurer, 140 State Capitol, 200 E. Colfax Ave., Denver, CO 80203, Attention: Deputy State Treasurer, facsimile number: 303-866-2123, electronic mail address: [brett.j.johnson@state.co.us](mailto:brett.j.johnson@state.co.us), with a copy to Colorado State Controller, 633 Seventeenth Street, Suite 1500, Denver, Colorado 80203, Attention: David J. McDermott, facsimile number: 303-866-4233, electronic mail address: [david.mcdermott@state.co.us](mailto:david.mcdermott@state.co.us). Any notice party may, by written notice to the others, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

**Section 12.06. No Individual Liability.** All covenants, stipulations, promises, agreements and obligations of the Site Lessor or the Trustee, as the case may be, contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Site Lessor or the Trustee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the Site Lessor or the Trustee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the Site Lessor or the Trustee or any natural person executing this Site Lease or any related document or instrument; provided that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

**Section 12.07. Amendments, Changes, Modifications and Release.** Except as otherwise provided herein or in the Indenture, this Site Lease may only be amended, changed, modified, altered or released by a written instrument executed by the Site Lessor and the Trustee; and the Trustee shall, if and when requested by the State, execute and deliver any amendment to or release of this Site Lease proposed by the State upon delivery to the Trustee of an opinion of Bond Counsel stating that such amendment or release does not violate the Indenture or the Leases.

**Section 12.08. Events Occurring on Days that are not Business Days.** If the date for making any payment or the last day for performance of any act or the exercising of any right under this Site Lease is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Site Lease.

**Section 12.09. Legal Description of Land Included in Leased Property.** The legal description of the land included in the Leased Property subject to this Site Lease is set forth in Exhibit A hereto. If the land included in the Leased Property subject to this Site Lease is modified pursuant to the terms of this Site Lease or other land is substituted for land included in the Leased Property subject to this Site Lease pursuant to the terms of this Site Lease, the legal description set forth in Exhibit A hereto will be amended to describe the land included in the Leased Property subject to this Site Lease after such modification or substitution.

**Section 12.10. Merger.** The State, the Site Lessor, the Trustee and any Sublessee that leases the Leased Property intend that the legal doctrine of merger shall have no application to this Site Lease, the 2012H Lease or the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority and that none of the execution and delivery of this Site Lease by the Site Lessor and the Trustee, the 2012H Lease by the Trustee and the State or such Sublease by the State and the Sublessee or the exercise of any remedies by any party under this Site Lease, the 2012H Lease or such Sublease shall operate to terminate or extinguish this Site Lease, the 2012H Lease or such Sublease.

**Section 12.11. Severability.** In the event that any provision of this Site Lease, other than the obligation of the Site Lessor to provide quiet enjoyment of the Leased Property, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**Section 12.12. Captions.** The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Site Lease.

**Section 12.13. Applicable Law.** The laws of the State and rules and regulations issued pursuant thereto, as the same may be amended from time to time, shall be applied in the interpretation, execution and enforcement of this Site Lease. Any provision of this Site Lease, whether or not incorporated herein by reference, which provides for arbitration by an extra-judicial body or person or which is otherwise in conflict with said laws, rules and regulations shall be considered null and void. Nothing contained in any provision hereof or incorporated herein by reference which purports to negate this Section in whole or in part shall be valid or enforceable or available in any action at law whether by way of complaint, defense or otherwise. Any provision rendered null and void by the operation of this Section will not invalidate the remainder of this Site Lease to the extent that this Site Lease is capable of execution. At all times during the performance of this Site Lease, the Site Lessor and the Trustee shall strictly adhere to all applicable federal and State laws, rules and regulations that have been or may hereafter be established.

**Section 12.14. Execution in Counterparts.** This Site Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**Section 12.15. Value of Land.** The Site Lessor estimates that the value of the land included in the Leased Property as of the date this Site Lease is entered into is \_\_\_\_\_.

IN WITNESS WHEREOF, the Trustee and the Site Lessor have executed this Site Lease as of the date first above written.

ZIONS FIRST NATIONAL BANK, solely in its capacity as trustee under the Indenture

By \_\_\_\_\_  
Authorized Signatory

[DISTRICT SEAL]

[\_\_\_\_\_]

By \_\_\_\_\_  
Title: \_\_\_\_\_

ATTEST:

By \_\_\_\_\_  
Secretary

[Signature Page to Site Lease of \_\_\_\_\_]

STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of December, 2012  
by \_\_\_\_\_, as an authorized signatory of Zions First  
National Bank.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[NOTARIAL SEAL]

\_\_\_\_\_  
Notary

My commission expires:

\_\_\_\_\_



**EXHIBIT A**

**LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED PROPERTY**

[insert]

(THIS PAGE INTENTIONALLY LEFT BLANK)

After recording return to:  
Michael R. Johnson  
Kutak Rock LLP  
1801 California Street, Suite 3100  
Denver, Colorado 80202

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**FORM OF**  
**STATE OF COLORADO**  
**BUILDING EXCELLENT SCHOOLS TODAY**  
**SUBLEASE OF [NAME OF SUBLESSEE]**

by and between

**STATE OF COLORADO,**  
**acting by and through the State Treasurer,**

and

**PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE BOARD,**  
**acting on behalf of the State of Colorado,**  
**both as sublessor**

and

\_\_\_\_\_,  
**as the Sublessee**

[and

**[if Sublessee is a charter school, insert name of Chartering Authority],**  
**as the Sublessee's Chartering Authority]**

Dated as of December 6, 2012

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**STATE OF COLORADO  
BUILDING EXCELLENT SCHOOLS TODAY  
SUBLEASE OF [NAME OF INSTITUTION]**

This State of Colorado Building Excellent Schools Today Sublease of [name of sublessee] (this "Sublease") is dated as of December 6, 2012 and is entered into by and between the State of Colorado, acting by and through the State Treasurer, and the Public School Capital Construction Assistance Board, acting on behalf of the State (collectively, the "State"), both as sublessor, [and] \_\_\_\_\_, as sublessee (the "Sublessee") [, and \_\_\_\_\_, as the Sublessee's Chartering Authority]. *Capitalized terms used but not defined in this Sublease have the meanings assigned to them in the Glossary attached to the State of Colorado Building Excellent Schools Today Master Trust Indenture dated August 12, 2009, as such Glossary has been amended, supplemented and restated by the Glossary attached to the State of Colorado Building Excellent Schools Today Series 2012H Supplemental Trust Indenture dated December 6, 2012 and as it may further be amended, supplemented and restated from time to time.*

RECITALS

A. The Sublessee or the Sublessee's Chartering Authority has leased the Leased Property to the Trustee pursuant to a Site Lease. The State Treasurer, on behalf of the State and on the instructions of the Assistance Board, has leased the Leased Property from the Trustee pursuant to the 2012H Lease.

B. The State, acting by and through the State Treasurer on the instructions of the Assistance Board set forth in Assistance Board Resolution No. 12-1 and as authorized under the Act, and the Assistance Board, acting on behalf of the State and as authorized under the Act, will sublease the Leased Property to the Sublessee pursuant to this Sublease; and the Sublessee is authorized by applicable law, its governing documents, if relevant, and action of its Governing Body to, and will, sublease the Leased Property from the State pursuant to this Sublease.

C. To satisfy the Sublessee's obligation to pay Matching Moneys to the State with respect to the Sublessee's Project, the Sublessee, in accordance with Article V hereof, has delivered a Matching Moneys Bond or agreed to pay cash, Matching Moneys Installment Payments or Base Rent to the State.

D. Proceeds of the 2012H Certificates issued pursuant to the Indenture will be used to finance the Project of the Sublessee.

AGREEMENT

For and in consideration of the mutual covenants and the representations, covenants and warranties herein contained, the parties hereto hereby agree as follows:

## ARTICLE I

### CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS

**Section 1.01. Certifications, Representations and Agreements by State.** The State hereby certifies, represents and agrees that:

(a) The State Treasurer, pursuant to § 22-43.7-110(2)(f) of the Act, has reviewed this Sublease and, by executing this Sublease, is providing written authorization to the Assistance Board to enter into it. The State Treasurer, acting on behalf of the State, is entering into this Sublease pursuant to the instructions of the Assistance Board set forth in Assistance Board Resolution No. 12-1.

(b) The State is authorized under the Act to lease the Leased Property to the Sublessee pursuant to this Sublease and to execute, deliver and perform its obligations under this Sublease.

(c) This Sublease has been duly executed and delivered by the State and is valid and binding obligation enforceable against the State in accordance with its terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

(d) The execution, delivery and performance of the terms of this Sublease by the State does not and will not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the State is now a party or by which the State is bound, or constitute a default under any of the foregoing, violate any Requirement of Law applicable to the State, or, except as specifically provided in the 2012H Lease, the Indenture, this Sublease or the Sublessee's Site Lease, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the State.

(e) There is no litigation or proceeding pending or threatened against the State or any other Person affecting the right of the State to execute, deliver or perform its obligations of the State under this Sublease.

**Section 1.02. Certifications, Representations and Agreements by Sublessee.** The Sublessee certifies, represents and agrees that:

(a) The Sublessee is an Eligible K-12 Institution and is duly organized, validly existing and in good standing under Colorado law. The Sublessee is authorized under applicable law, its governing documents, if relevant, and action of its Governing Body to sublease the Leased Property from the State pursuant to this Sublease and to execute, deliver and perform its obligations under this Sublease and, if applicable, the Sublessee's Matching Moneys Bond.

(b) The Sublessee's Project is a capital construction project as defined in the Act and all moneys requisitioned from the Sublessee's Project Account pursuant to Section 4.10 hereof will be used to pay costs of capital construction as defined in the Act.

(c) The execution, delivery and performance of this Sublease and, if applicable, the Sublessee's Matching Moneys Bond have been duly authorized by the Governing Body of the Sublessee.

(d) The Sublessee has received all approvals and consents required for the Sublessee's execution, delivery and performance of its obligations under this Sublease and, if applicable, the Sublessee's Matching Moneys Bond.

(e) This Sublease and, if applicable, the Sublessee's Matching Moneys Bond have been duly executed and delivered by the Sublessee and are valid and binding obligations enforceable against the Sublessee in accordance with their respective terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

(f) The execution, delivery and performance of this Sublease and, if applicable, the Sublessee's Matching Moneys Bond do not and will not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Sublessee is now a party or by which the Sublessee is bound, or constitute a default under any of the foregoing, violate any Requirement of Law applicable to the Sublessee, or, except as specifically provided in the 2012H Lease, the Indenture, this Sublease or the Site Lease pursuant to which the Leased Property is leased to the Trustee or, if applicable, the Sublessee's Matching Moneys Bond result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the Sublessee.

(g) There is no litigation or proceeding pending or threatened against the Sublessee affecting the right of the Sublessee to execute, deliver or perform its obligations under this Sublease or, if applicable, the Sublessee's Matching Moneys Bond.

(h) The Sublessee will receive economic and other benefits by the subleasing of the Leased Property by the Sublessee pursuant to this Sublease. The initial Leased Property is, and any Leased Property substituted for the initial Leased Property will be, property that is necessary and essential to the purposes and operations of the Sublessee. The Sublessee expects that the Leased Property will adequately serve the needs for which it is being subleased throughout the Scheduled Sublease Term.

(i) The Sublessee's Proportionate Share of the Base Rent payable by the State under the 2012H Lease in each Fiscal Year during the Lease Term of the 2012H Lease is

not more than the fair value of the use of the Sublessee's Leased Property during such Fiscal Year.

(j) The sum of the Rent payable by the Sublessee under this Sublease and, as applicable, the principal, premium, if any, and interest payable by the Sublessee under its Matching Moneys Bond or the Matching Moneys Installment Payments payable by the Sublessee in each Fiscal Year during the Sublease Term is not more than the fair value of the use of the Sublessee's Leased Property during such Fiscal Year and does not exceed a reasonable amount so as to place the Sublessee under an economic compulsion to take one of the following actions in order to avoid forfeiting such excess (i) to continue this Sublease beyond any Fiscal Year, (ii) not to exercise its right to terminate this Sublease at any time through an Event of Nonappropriation or (iii) to exercise its option to purchase the Leased Property hereunder. The Sublessee's Purchase Option Price pursuant to Section 9.01 hereof is the Sublessee's current best estimate of the fair purchase price of the Leased Property that will be in effect at the time of exercise of the Sublessee's option to purchase the Leased Property pursuant to such Section. The Scheduled Sublease Term of this Sublease does not exceed the weighted average useful life of the improvements or any other real property improvements included in the Leased Property. In making the representations, covenants and warranties set forth above in this subsection and the immediately preceding subsection of this Section, the Sublessee has given due consideration to the Sublessee's Project, the purposes for which the Leased Property will be used by the Sublessee, the benefits to the Sublessee from the use of the Leased Property, the Sublessee's option to purchase the Leased Property hereunder and the terms of this Sublease governing the use of the Leased Property.

(k) The Sublessee presently intends and expects to continue the Sublease Term annually until title to the Leased Property is acquired by the Sublessee pursuant to this Sublease; but this representation does not obligate or otherwise bind the Sublessee.

(l) The Sublessee is not aware of any current violation of any Requirement of Law relating to the Leased Property and accepts full responsibility for any prior or future violations of any Requirement of Law relating to environmental issues relating to the Leased Property.

(m) The Governing Body of the Sublessee has appropriated sufficient moneys to pay the Additional Rent estimated to be payable hereunder in the current Fiscal Year and, as applicable, the Base Rent, the principal and interest payable under its Matching Moneys Bond or the Matching Moneys Installment Payments payable in the current Fiscal Year.

(n) The certifications, representations and agreements with respect to federal income tax matters set forth in the Tax Compliance Certificate executed and delivered by the Sublessee in connection with the execution and delivery of this Sublease are hereby incorporated in this Sublease as if set forth in full in this subsection.

(o) The Sublessee has not, except as otherwise specifically provided herein, entered into any agreement or arrangement to transfer to any Person all or any portion of

its interest in the Leased Property or to any fee title that it may obtain in the real estate to which the Leased Property relates.

## ARTICLE II

### DEMISING CLAUSE; ENJOYMENT OF LEASED PROPERTY

**Section 2.01. Demising Clause.** The State demises and leases the State's leasehold estate under the 2012H Lease in the land described in Exhibit A hereto (the "Land" for purposes of this Sublease) and the buildings, structures and improvements now or hereafter located on the Land (together with the Land, the "Leased Property" for purposes of this Sublease) to the Sublessee in accordance with the terms of this Sublease, subject only to Permitted Encumbrances, to have and to hold for the Sublease Term.

**Section 2.02. Enjoyment of Leased Property.** The State covenants that, during the Sublease Term and so long as no Event of Default hereunder shall have occurred, the Sublessee shall peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the State, except as expressly required or permitted by this Sublease.

## ARTICLE III

### SUBLEASE TERM; TERMINATION OF SUBLEASE TERM

#### **Section 3.01. Sublease Term.**

(a) The Sublease Term is the Initial Term and successive one-year Renewal Terms, subject to subsection (b) of this Section.

(b) The Sublease Term shall expire upon the earliest of any of the following events:

(i) termination of the 2012H Lease in accordance with its terms;

(ii) June 30 of the Initial Term or June 30 of any Renewal Term during which, in either case, an Event of Nonappropriation under this Sublease has occurred; or

(iii) termination of this Sublease following an Event of Default under this Sublease in accordance with Section 12.02(a) hereof.

**Section 3.02. Effect of Termination of Sublease Term.** Upon termination of the Sublease Term:

(a) all unaccrued obligations of the Sublessee under this Sublease shall terminate, but all such obligations of the Sublessee that have accrued hereunder prior to such termination shall continue until they are discharged in full;

(b) if the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default under this Sublease or because of the termination of the 2012H Lease as a result of an Event of Nonappropriation or an Event of Default under the 2012H Lease, the Sublessee's right to possession of the Leased Property hereunder shall terminate and (i) the Sublessee shall, within 90 days, vacate the Leased Property; and (ii) if and to the extent the Governing Body of the Sublessee has appropriated funds for payment of Base Rent, if applicable, and Additional Rent payable during, or with respect to the Sublessee's use of the Leased Property during, the period between termination of the Sublease Term and the date the Leased Property is vacated pursuant to clause (i), the Sublessee shall pay Base Rent, if applicable, to the State and Additional Rent to the Person entitled thereto; and

(c) the obligations of the Sublessee to make payments under the Sublessee's Matching Moneys Bond or Matching Money Installment Payments, as applicable, shall continue until, as applicable, all amounts payable under the Sublessee's Matching Moneys Bond have been paid or the Sublessee's Matching Moneys Bond is redeemed or cancelled in accordance with its terms or all Matching Moneys Installment Payments have been paid.

**Section 3.03. Cancellation of Sublease by State.** Notwithstanding any other provision hereof, the State, in its sole discretion, may cancel this Sublease at any time if, on or before December 6, 2013, (a) the Trustee has not received the title insurance policy for the Leased Property described in paragraph 1 of the form of Requisition attached as Appendix B to the 2012H Supplemental Indenture (which amends and restates in its entirety the form of Requisition attached to Appendix A to the Master Indenture) and (b) the Sublessee has not entered into and does not have a reasonable expectation that it will enter into one or more Project Contracts for the Sublessee's Project as described in paragraph 2 of the form of Requisition attached as Appendix B to the 2012H Supplemental Indenture (which amends and restates in its entirety the form of Requisition attached to Appendix A to the Master Indenture). The State shall deliver written notice to the Sublessee specifying the effective date of any such cancellation at least 15 days prior to the effective date of the cancellation. Upon cancellation, the Sublessee shall have no further rights under this Sublease, the State may direct the Trustee to use the moneys in the Sublessee's Project Account for the Costs of another Project or for any purpose permitted under the Indenture, the State shall cause the Trustee to cancel and release the Site Lease pursuant to which the Leased Property has been leased to the Trustee and the State shall return to the Sublessee any Matching Moneys paid to the State (including any principal or interest paid on the Sublessee's Matching Money's Bond) and cancel and return to the Sublessee the Sublessee's Matching Moneys Bond.

## ARTICLE IV

### PROJECT

**Section 4.01. Sublessee to Construct Project in Accordance with Specifications.** The Sublessee shall construct the Project (the "Work") in accordance with the Specifications attached hereto as Exhibit B, with such changes in the Specifications, if any, that are approved by the State in writing.

#### **Section 4.02. Completion Date.**

(a) The Sublessee shall cause the Work to be done promptly and with due diligence and shall use its best efforts to cause the Completion Date to occur by the third anniversary of this Sublease (the "Scheduled Completion Date"). The "Completion Date" is the date the Sublessee delivers a certificate (the "Completion Certificate") to the State and the Trustee (i) stating that to the best of the Sublessee's knowledge, based upon the representations of contractors, architects, engineers, vendors or other consultants, (A) the Project has been completed in accordance with Section 4.01 hereof and (B) except for any amounts estimated by the Sublessee to be necessary for payment of any Costs of the Project not then due and payable and costs of the Project included in requisitions that have been submitted to the Trustee but have not yet been paid by the Trustee, all Costs of the Project have been paid; (ii) stating that the real property improved by the Project has been insured in accordance with Section 7.01 hereof in the dollar amount set forth in such certificate or the certificate of insurance attached thereto; and (iii) to which is attached a certificate of insurance in which the insurer certifies that the real property improved by the Project has been insured by such insurer in the dollar amount set forth therein.

(b) If the Completion Date does not occur by the Scheduled Completion Date for any reason other than Force Majeure, the State or the Trustee, with the consent of the State, may, but shall not be required to, retain a Person other than the Sublessee to complete the Project and recover from the Sublessee all reasonable costs incurred by or on behalf of the State or the Trustee in completing the Project.

**Section 4.03. Contractor Guarantees.** The Sublessee shall cause each Contractor with which the Sublessee contracts directly to guarantee all Work performed by it or any subcontractor or other Person performing Work on its behalf against defective workmanship and materials for a period of one year after the Completion Date, provided that such one year period shall not begin with respect to any item that is not completed on the Completion Date until such item is completed. The Sublessee shall assign to the State any guarantee of workmanship and materials which it may receive but shall retain the right to enforce such guarantee directly.

**Section 4.04. Performance and Payment Bonds.** The Sublessee shall require that each Contractor provide a performance bond and a separate labor and material payment bond, each of which shall (a) be executed by a corporate surety licensed to do business in the State, (b) be in customary form, (c) be in the amount payable to such Contractor pursuant to its Project Contract and (d) be payable to the Sublessee. If, at any time prior to completion of the Work covered by any such bond, the surety shall be disqualified from doing business within the State, a new bond shall be provided from an alternate surety licensed to do business in the State. The amount of each bond shall be increased or decreased, as appropriate, to reflect changes to the Specifications orders under Section 4.01 hereof. A copy of each such bond and all modifications thereto shall be furnished to the State within 60 days of the effective date of the related Project Contract. The Sublessee hereby assigns its rights to any proceeds under such bonds to the State and the Trustee.

**Section 4.05. Builder's Risk Completed Value Insurance.** The Sublessee shall procure and maintain, at its own cost and expense, until the property to which such insurance relates is insured by the Sublessee pursuant to Section 7.01 hereof or, if Section 7.01 does not

apply because the property improved by the Project is not included in the Leased Property, until the Project is completed, standard, all risk of loss builder's risk completed value insurance upon property included in or that is imposed by the Project. A certificate of insurance evidencing such insurance shall be provided to the State.

**Section 4.06. General Public Liability and Property Damage Insurance.** The Sublessee shall require that each Contractor procure and maintain, at its own cost and expense, during such Contractor's Project Contract, standard form comprehensive general public liability and property damage insurance that covers all claims for bodily injury, including death, and claims for destruction of or damage to the property (other than the Work itself), arising out of or in connection with any operations under the Contractor's Project Contract, whether such operations be by the Contractor or by a subcontractor. The insurance shall include the limits and coverage specified for the State of Colorado, Office of the State Architect, State Buildings Programs. Such policies shall include the State and the Trustee as additional insureds and shall include a provision prohibiting cancellation, termination or alteration except pursuant to the policy. A certificate of insurance evidencing such insurance shall be provided to the State with respect to each Contractor within 60 days of the effective date of the related Project Contract.

**Section 4.07. Workers' Compensation Insurance.** The Sublessee shall require that each Contractor procure and maintain, at its own cost and expense, workers' compensation insurance as required by Colorado law during the term of its contract, covering all persons working under its Project Contract. Such insurance shall contain a provision that such coverage shall not be canceled, terminated or altered without 30 days' prior written notice to the State and the Trustee. Certificates evidencing such coverage shall be provided to the State.

**Section 4.08. Defaults Under Project Contracts.** In the event of any default under any Project Contract, or in the event of a breach of warranty with respect to any materials, workmanship or performance or other Work, which default or breach results in frustration of the purpose for which the property improved by the Project was intended, the Sublessee shall promptly proceed, either separately or in conjunction with others, to pursue diligently its remedies, including any remedy against the surety of any bond securing the performance of the Project Contract.

**Section 4.09. Assignment of Rights Under Project Contracts.** The Sublessee hereby assigns to the State and the Trustee, and each Project Contract shall expressly provide that the State and the Trustee shall have, the right to enforce each Project Contract against the Contractor (a) following termination of this Sublease and (b) in any case where, in the reasonable judgment of the State or the Trustee, with the consent of the State, the Sublessee has failed to enforce the terms of such Project Contract in a manner consistent with the obligations of the Sublessee under this Sublease.

**Section 4.10. Costs of the Project.**

(a) The Sublessee, with the approval of the State, may withdraw available money from the Sublessee's Project Account in an amount up to the proceeds of the Series 2012H Certificates and Allocated Investment Earnings deposited into the Sublessee's Project Account pursuant to the Indenture to pay, or reimburse the Sublessee

for the payment by Sublessee of, Costs of the Sublessee's Project by delivering to the Trustee a Requisition in the form of Appendix B to the 2012H Supplemental Indenture (which amends and restates in its entirety the form of Requisition attached to Appendix A to the Master Indenture), signed by the Sublessee Representative and with the State's approval evidenced by the signature of the State Representative. If more than one Project Account has been established pursuant to the Indenture to pay Costs of the Sublessee's Project, the term Project Account in this subsection shall include all such Project Accounts and moneys shall be withdrawn from such Project Accounts pursuant to this subsection in the order provided in the Indenture.

(b) If the Sublessee has satisfied its obligation to pay Matching Moneys with respect to its Project by delivering a cash payment and if Exhibit D hereto states that a specified amount of money in the Assistance Fund will be available to pay a portion of the Costs of the Sublessee's Project, after the Sublessee has withdrawn all moneys that it may withdraw from the Sublessee's Project Account pursuant to subsection (a) of this Section, the Sublessee, with the approval of the State, may withdraw money from the Assistance Fund in an amount up to the amount specified in Exhibit D hereto to pay, or reimburse the Sublessee for the payment by Sublessee of, Costs of the Sublessee's Project by delivering to the Assistance Board a Requisition in the form of Exhibit E hereto, signed by the Sublessee Representative and with the State's approval evidenced by the signature of the State Representative.

(c) Upon and effective on each date a Requisition is signed and delivered to the Trustee pursuant to subsection (a) of this Section or to the Assistance Board pursuant to subsection (b) of this Section, the representations of the Sublessee set forth in such Requisition are incorporated in this Sublease as if set forth herein in full.

**Section 4.11. Excess Costs and Cost Savings.** The Sublessee shall pay all Costs of the Project that exceed the moneys that may be withdrawn from the Sublessee's Project Account and the Assistance Fund pursuant to Section 4.10 hereof from sources other than money withdrawn from the Sublessee's Project Account and the Assistance Fund pursuant to Section 4.10 hereof. If the Costs of the Project are less than the amount of the moneys that may be withdrawn from the Sublessee's Project Account and the Assistance Fund pursuant to Section 4.10 hereof (a "cost savings"), a portion of such cost savings, as determined by the State Treasurer, may, upon the consent of the Assistance Board, be shared with the Sublessee through the return of a portion of any cash payment of Matching Moneys or forgiveness of a portion of the Base Rent that would otherwise be payable hereunder, principal, premium, if any, and interest that would otherwise be due on the Sublessee's Matching Moneys Bond or Matching Moneys Installment Payments that would otherwise be payable hereunder, as applicable.

**Section 4.12. Compliance with Tax Certificate.** The Sublessee shall comply with the provisions of the Tax Compliance Certificate executed and delivered by the Sublessee in connection with the execution and delivery of this Sublease that are applicable to the construction of the Project, including but not limited to, if the Tax Compliance Certificate provides that such standards are applicable to the Sublessee's Project, complying with the prevailing wage standards under 40 U.S.C. § 3141 (sometimes referred to as the Davis-Bacon Act).

**Section 4.13. Records.** The Sublessee shall maintain copies of all requisition forms and Project Contracts, including but not limited to subcontracts, purchase orders and procurement documents, and provide copies to the State and the Assistance Board upon request. All such documents and records relating to the Project shall be retained by the Sublessee during the term of this Sublease and shall be provided to the State upon request. The Trustee is required under the Indenture to provide to the Sublessee at its request an accounting of all receipts and disbursements from the Sublessee's Project Account.

## ARTICLE V

### MATCHING MONEYS

**Section 5.01. Sublessee's Obligation to Pay Matching Moneys.** Certain information regarding the Sublessee's obligation to pay Matching Moneys with respect to its Project is set forth in Exhibit D hereto.

(a) ***No Matching Moneys.*** If Exhibit D hereto provides that there are no Matching Moneys, the Sublessee is not obligated to pay Matching Moneys with respect to its Project.

(b) ***Cash Payment.*** If Exhibit D hereto provides that the source of Matching Moneys is a cash payment, the Sublessee has satisfied its obligation to pay Matching Moneys by paying cash to the State on the date this Sublease is executed and delivered. If Exhibit D states that a specified amount of money in the Assistance Fund will be available to pay a portion of the Costs of the Sublessee's Project, the Sublessee shall be authorized to withdraw money, up to the amount specified in Exhibit D hereto, to pay Costs of the Sublessee's Project in accordance with, and subject to the terms of Section 4.10(b) hereof.

(c) ***Base Rent.*** If Exhibit D hereto provides that the source of Matching Moneys is Base Rent, the Sublessee shall, subject only to the provisions of Article VI hereof, pay Base Rent to the State during the Lease Term in immediately available funds in the amounts and on the Base Rent Payment Dates set forth in Exhibit D hereto.

(d) ***Matching Moneys Bond.*** If Exhibit D hereto provides that the source of Matching Moneys is a Matching Moneys Bond, the Sublessee has satisfied its obligation to pay Matching Moneys with respect to its Project by issuing and delivering to the State the Sublessee's Matching Moneys Bond on the date this Sublease is executed.

(e) ***Matching Moneys Installment Payments.*** If Exhibit D hereto provides that the source of Matching Moneys is Matching Moneys Installment Payments, the Sublessee shall make cash payments in immediately available funds to the State in the amounts, on the payment dates and from the sources set forth in Exhibit D hereto. Notwithstanding any other provision hereof, the obligation of a Sublessee to pay a Matching Moneys Installment Payment in any Fiscal Year beyond the Sublessee's current Fiscal Year is subject to appropriation of such Matching Moneys Payment by the Governing Body of such Sublessee. The officer of the Sublessee who is responsible for

formulating budget proposals with respect to Matching Moneys Installment Payments is hereby directed to include as a line item in each annual budget proposal submitted to the Governing Body of the Sublessee for any Fiscal Year in which an Matching Moneys Installment Payment is payable the entire amount of the Matching Moneys Installment Payment payable during such Fiscal Year; it being the intention of the Sublessee that any decision to pay or not to pay such Matching Moneys Installment Payment shall be made solely by the Governing Body of the Sublessee, in its sole discretion, and not by any department, agency or official of the Sublessee. If the Sublessee intends to fund its Matching Moneys Installment Payments from the proceeds of a grant, the Governing Body of the Sublessee agrees to use its best efforts to comply with the terms of the grant and to pay all proceeds of the grant when received by the Sublessee.

(f) *Special Arrangements.* Any special arrangement regarding the Sublessee's Matching Moneys that does not fit the categories described in subsections (a) through (e) of this Section shall be described in Exhibit D hereto.

(g) *More Than One Source.* If Exhibit D hereto provides that there is more than one source of Matching Moneys, the provisions hereof regarding the payment of Matching Moneys shall apply to each such source separately.

**Section 5.02. Obligations and Rights with respect to Matching Moneys Bond and Matching Moneys Installment Payments Independent of Sublease.** The obligations of the Sublessee and the rights of the State with respect to the Sublessee's Matching Moneys Bond or the Sublessee's Matching Moneys Installment Payments, as applicable, are independent of the obligations of the Sublessee and the rights of the State under this Sublease and, except as otherwise specifically provided herein, (a) the obligations of the Sublessee and the rights of the State with respect to the Sublessee's Matching Moneys Bond or the Sublessee's Matching Moneys Installment Payments, as applicable, shall survive the termination of this Sublease and (b) no failure to perform or other action of the State with respect to this Sublease shall affect the State's rights to enforce the obligations of the Sublessee to make payments under the Sublessee's Matching Moneys Bond or to pay its Matching Moneys Installment Payments, as applicable.

**Section 5.03. Use of Matching Moneys.** The State shall deposit Matching Moneys it receives into the Assistance Fund.

**Section 5.04. References to Cash Payments of Matching Moneys, Base Rent, Matching Moneys Bonds, and Matching Moneys Installment Payments.** The State has entered into many, and in the future will enter into many more, subleases similar to this Sublease pursuant to which the sublessees will satisfy their obligations to pay Matching Moneys in a variety of ways. In order to assist the State in administering such subleases, the subleases have been drafted to be as uniform as practicable, including the inclusion of references to cash payments of Matching Moneys that are not applicable to the Sublessee if it is not satisfying its obligations to pay Matching Moneys by making cash payments, references to Base Rent that are not applicable to the Sublessee if the Sublessee is not satisfying its obligation to pay Matching Moneys by paying Base Rent, references to Matching Moneys Bonds that are not applicable to the Sublessee if the Sublessee is not satisfying its obligation to pay Matching Moneys by

delivering a Matching Moneys Bond and references to Matching Moneys Installment Payments that are not applicable to the Sublessee if the Sublessee is not satisfying its obligation to pay Matching Moneys by paying Matching Moneys Installment Payments. In applying the terms of this Sublease to the Sublessee, (a) references to cash payments of Matching Moneys apply to the Sublessee only if the Sublessee is satisfying its obligation to pay Matching Moneys by making a cash payment, (b) references to Base Rent apply to the Sublessee only if the Sublessee is satisfying its obligation to pay Matching Moneys by paying Base Rent, (c) references to Matching Moneys Bonds apply to the Sublessee only if the Sublessee is satisfying its obligation to pay Matching Moneys by delivering a Matching Moneys Bond and (d) references to Matching Moneys Installment Payments apply to the Sublessee only if the Sublessee is satisfying its obligation to pay Matching Moneys by paying Matching Moneys Installment Payments.

## ARTICLE VI

### RENT; EVENT OF NONAPPROPRIATION

**Section 6.01. Base Rent.** If the Sublessee is satisfying its obligation to pay Matching Moneys by paying Base Rent, the Sublessee shall, subject only to the other Sections of this Article, pay Base Rent to the State during the Lease Term in immediately available funds in the amounts and on the Base Rent Payment Dates set forth in Exhibit D hereto.

**Section 6.02. Additional Rent.** Regardless of the manner in which the Sublessee is satisfying its obligation to pay Matching Moneys, the Sublessee shall, subject only to the other Sections of this Article, pay Additional Rent in immediately available funds in the amounts and on the dates on which it is due. The Sublessee shall pay all Additional Rent that specifically relates to the Leased Property subject to the Sublease directly to the Person or Persons to which it is owed. The Sublessee shall pay its Proportionate Share of any Additional Rent that does not specifically relate to the Leased Property subject to this Sublease that the State, in its sole discretion, determines should be paid by the Participating K-12 Institutions, to the State within 14 days of notice from the State or the Trustee of the amount due. The State's determinations as to whether any Additional Rent is specifically related to the Leased Property subject to this Sublease and as to whether any Additional Rent not specifically related to the Leased Property subject to this Sublease should be paid by the Participating K-12 Institutions, shall be binding on and shall not be subject to dispute or negotiation by the Sublessee. It is the expectation of the State that Additional Rent payable to the State pursuant hereto will not be significant.

**Section 6.03. Unconditional Obligations.** The obligation of the Sublessee to pay Base Rent, if applicable, during the Sublease Term shall, subject only to the other Sections of this Article, and the obligation of the Sublessee to pay Additional Rent during the Sublease Term shall, subject only to the other Sections of this Article, including, without limitation, Sections 6.04 and 6.05 hereof, be absolute and unconditional and shall not be abated or offset for any reason related to the Leased Property. Notwithstanding any dispute between the Sublessee and the State or between the Sublessee or the State and any other Person relating to the Leased Property, the Sublessee shall, during the Sublease Term, pay all Rent when due; the Sublessee shall not withhold any Rent payable during the Sublease Term pending final resolution of such dispute and shall not assert any right of set off or counter claim against its obligation to pay Rent, provided, however, that the payment of any Rent shall not constitute a waiver by the Sublessee

of any rights, claims or defenses which the Sublessee may assert; and no action or inaction on the part of the State shall affect the Sublessee's obligation to pay Rent during the Sublease Term.

**Section 6.04. Event of Nonappropriation.**

(a) The officer of the Sublessee who is responsible for formulating budget proposals with respect to payments of Rent is hereby directed (i) to estimate the Additional Rent payable in the next ensuing Fiscal Year prior to the submission of each annual budget proposal to the Governing Body of the Sublessee during the Sublease Term and (ii) to include as a line item in each annual budget proposal submitted to the Governing Body of the Sublessee during the Sublease Term the entire amount of Base Rent scheduled to be paid and Additional Rent estimated to be payable during the next ensuing Fiscal Year; it being the intention of the Sublessee that any decision to continue or to terminate the Sublease Term shall be made solely by the Governing Body of the Sublessee, in its sole discretion, and not by any other department, agency or official of the Sublessee.

(b) An Event of Nonappropriation shall be deemed to have occurred, subject to the Sublessee's right to cure pursuant to subsection (c) of this Section, on June 30 of any Fiscal Year if the Governing Body of the Sublessee has, on such date, failed, for any reason, to appropriate sufficient amounts authorized and directed to be used to pay all Base Rent scheduled to be paid and all Additional Rent estimated to be payable in the next ensuing Fiscal Year.

(c) Notwithstanding subsection (b) of this Section, an Event of Nonappropriation shall not be deemed to occur if, on or before August 1 of the next ensuing Fiscal Year, (i) the Governing Body of the Sublessee has appropriated or otherwise authorized the expenditure of amounts sufficient to avoid an Event of Nonappropriation under subsection (b) of this Section and (ii) the Sublessee has paid all Additional Rent due during the period from June 30 through the date of such appropriation or authorization.

(d) If the Sublessee shall determine to exercise its annual right to terminate the Sublease Term effective on June 30 of any Fiscal Year, the Sublessee shall give written notice to such effect to the State not later than March 1 of such Fiscal Year; provided, however, that a failure to give such notice shall not (i) constitute an Event of Default, (ii) prevent the Sublessee from terminating this Sublease or (iii) result in any liability on the part of the Sublessee.

(e) The Sublessee shall furnish the State with copies of all appropriation or expenditure authorization measures relating to Rent or the Purchase Option Price promptly upon the adoption thereof by the Governing Body of the Sublessee, but not later than 20 days following the adoption thereof by the Governing Body of the Sublessee; provided however, that a failure to furnish copies of such measures shall not (i) constitute an Event of Default, (ii) prevent the Sublessee from terminating this Sublease or (iii) result in any liability on the part of the Sublessee.

**Section 6.05. Limitations on Obligations of Sublessee.**

(a) The obligation of the Sublessee to pay (i) Rent hereunder and (ii) all other payments by the Sublessee hereunder except cash Matching Moneys payments (which must be paid on the date this Sublease is executed and delivered) and amounts payable pursuant to any Matching Money Bond (which are debt of the Sublessee) shall constitute currently appropriated expenditures of the Sublessee. All obligations of the Sublessee under this Sublease (except obligations to pay cash Matching Moneys payments and amounts payable pursuant to any Matching Moneys Bond) shall be subject to the action of the Governing Body of the Sublessee in annually making moneys available for payments hereunder. The obligations of the Sublessee to pay Rent and Matching Moneys Installment Payments and such other obligations (except cash Matching Moneys payments and amounts payable pursuant to any Matching Money Bond) are subject to appropriation by the Governing Body of the Sublessee in its sole discretion, and shall not be deemed or construed as creating an indebtedness of the Sublessee within the meaning of any provision of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness of the Sublessee and shall not constitute a multiple fiscal year direct or indirect debt or other financial obligation of the Sublessee within the meaning of Section 20(4) of Article X of the State Constitution. In the event the Sublessee does not renew the Sublease Term, the sole security available to the State, as sublessor under this Sublease, for any such obligation of the Sublessee under this Sublease shall be the Leased Property.

(b) All of the Sublessee's obligations under this Sublease (except cash Matching Moneys payments and amounts payable pursuant to any Matching Moneys Bond) shall be subject to the Sublessee's annual right to terminate this Sublease upon the occurrence of an Event of Nonappropriation.

(c) The Sublessee shall be under no obligation whatsoever to exercise its option to purchase the Leased Property pursuant to Article IX hereof.

**Section 6.06. No Right to Compel Payment of Rent or Matching Moneys by State or another Participating K-12 Institution.** The Sublessee shall have no right to compel the State or any other Participating K-12 Institution to pay any Rent under any Lease or Rent, Matching Moneys or Matching Moneys Installment Payments under any Sublease or to pay the principal of, premium, if any, and interest on any Matching Moneys Bond and neither the State nor any such other Participating K-12 Institution shall have any liability to the Sublessee for a failure by the State to pay Rent under any Lease or a failure by any such other Participating K-12 Institution to pay such other Participating K-12 Institution's Rent, Matching Moneys or Matching Moneys Installment Payments under any such other Sublease or principal, premium, if any, or interest on its Matching Moneys Bond for any reason.

**ARTICLE VII**

**OPERATION, MAINTENANCE AND INSURANCE OF LEASED PROPERTY**

**Section 7.01. Taxes, Utilities and Insurance.**

(a) The Sublessee shall pay, as Additional Rent, all of the following expenses with respect to the Leased Property:

(i) all taxes, assessments and other charges lawfully made by any governmental body, provided that any such taxes, assessments or other charges that may lawfully be paid in installments may be paid in installments as such installments are due;

(ii) all gas, water, steam, electricity, heat, power and other utility charges incurred in connection with the Leased Property (including but not limited to, amounts paid to a Site Lessor for utilities provided by such Site Lessor pursuant to a Site Lease);

(iii) casualty and property damage insurance with respect to the Leased Property in an amount equal to the full replacement value of the Leased Property;

(iv) public liability insurance with respect to the activities to be undertaken by the Sublessee in connection with the Leased Property, the Sublessee's Project and this Sublease: (A) to the extent such activities result in injuries for which immunity is not available under the Colorado Governmental Immunity Act, C.R.S. § 24-10-101 et seq. or any successor statute, in an amount not less than the amounts for which the Sublessee may be liable to third parties thereunder and (B) for all other activities, in an amount not less than \$1,000,000 per occurrence.

(b) Except for Permitted Encumbrances, the Sublessee shall not allow any liens for taxes, assessments, other governmental charges or utility charges to exist with respect to any portion of the Leased Property. If the Sublessee shall first notify the Trustee and the State of the intention of the Sublessee to do so, the Sublessee may, however, in good faith contest any such tax, assessment, other governmental charge or utility charge and, in the event of any such contest, may permit the tax, assessment, other governmental charge or utility charge so contested to remain unpaid during the period of such contest and any appeal therefrom, unless the Trustee or the State shall notify the Sublessee that, in the opinion of Independent Counsel, whose fees and expenses shall be paid by the Sublessee, by nonpayment of any such item the interest of the Trustee or the State in the Leased Property will be materially interfered with or endangered or the Leased Property or any portion thereof will be subject to loss or forfeiture, in which event such tax, assessment, other governmental charge or utility charge shall be paid forthwith; provided, however, that such payment shall not constitute a waiver of the right to continue to contest such tax, assessment, other governmental charge or utility charge. At the request of the Sublessee, the State will cooperate fully with the Sublessee in any such contest.

(c) The insurance policies provided pursuant to subsection (a) of this Section shall meet the following conditions: (i) any insurance policy may have a deductible clause in an amount deemed reasonable by the State; (ii) each insurance policy shall be provided by an insurer that, at the time such policy is obtained or renewed, is rated "A"

by A.M. Best or in the two highest rating categories of S&P and Moody's; (iii) each insurance policy shall be so written or endorsed as to make losses, if any, payable to the State, the Sublessee and the Trustee, as their respective interests may appear; (iv) each insurance policy shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interest of the State, the Sublessee or the Trustee without first giving written notice thereof to the State, the Sublessee and the Trustee at least 30 days in advance of such cancellation or modification; (v) upon request each insurance policy, or each certificate evidencing such policy, shall be provided to the Trustee; (vi) full payment of insurance proceeds under any insurance policy up to the dollar limit required by this Section in connection with damage to the Leased Property shall, under no circumstance, be contingent on the degree of damage sustained at other property owned or leased by the State or any Sublessee; and (vii) each insurance policy shall explicitly waive any co-insurance penalty.

(d) In the Sublessee's discretion, the insurance required by this Section may be provided under blanket insurance policies which insure not only the risks required to be insured hereunder but also other similar risks or may be provided through a self-insurance program described in this subsection. If the property of the Sublessee is covered by the Colorado School Districts Self Insurance Pool, the self-insurance program shall be the Colorado School Districts Self Insurance Pool. If the property of the Sublessee is not covered by the Colorado School Districts Self Insurance Pool, the self-insurance program may, with the State's consent, be the Sublessee's independent risk management program, if any.

(e) At the request of the State or the Trustee, the Sublessee shall cause one or more insurance consultants to annually review the self-insurance program through which insurance is provided pursuant to this Section and confirm that it is maintained on an actuarially sound basis.

**Section 7.02. Maintenance and Operation of Leased Property.** The Sublessee shall maintain, preserve and keep the Leased Property, or cause the Leased Property to be maintained, preserved and kept, in good repair, working order and condition, subject to normal wear and tear, shall operate the Leased Property, or cause the Leased Property to be operated, in an efficient manner and at a reasonable cost, and shall make or cause to be made all necessary and proper repairs, except as otherwise provided in Sections 8.05 and 8.07 hereof.

**Section 7.03. Capital Renewal Reserve.** The Sublessee shall establish a capital renewal budget and make annual contributions to a capital renewal reserve as defined in § 22-43.7-109(4)(d) of the Act for the purpose of replacing major systems of the Project with projected life cycles such as roofs, interior finishes, electrical systems and heating, ventilating and air conditioning systems.

## ARTICLE VIII

### **TITLE TO LEASED PROPERTY; ENCUMBRANCES, EASEMENTS, MODIFICATIONS, SUBSTITUTION, DAMAGE, PERSONAL PROPERTY**

**Section 8.01. Title to Leased Property.** Title to the leasehold estate in the Leased Property under the 2012H Lease shall be held in the name of the State, subject to the Site Lease pursuant to which the Leased Property is leased to the Trustee, the 2012H Lease and this Sublease, until the Leased Property is conveyed or otherwise disposed of as provided herein, and the Sublessee shall have no right, title or interest in the Leased Property except as expressly set forth herein.

#### **Section 8.02. Limitations on Disposition of and Encumbrances on Leased Property.**

(a) Except as otherwise permitted in this Article or Article X or XI hereof and except for Permitted Encumbrances, (i) neither the State nor the Sublessee shall sell, assign, transfer or convey any portion of or any interest in the Leased Property or directly or indirectly create, incur or assume any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, and (ii) the Sublessee shall promptly take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance or claim.

(b) Notwithstanding subsection (a) of this Section, if the Sublessee shall first notify the Trustee and the State of the intention of the Sublessee to do so, the Sublessee may in good faith contest any such mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, and in the event of any such contest, may permit the item so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom, unless the Trustee or the State has notified the Sublessee that, in the opinion of Independent Counsel, whose fees shall be paid by the Sublessee, by failing to discharge or satisfy such item the interest of the Trustee or the State in the Leased Property will be materially interfered with or endangered, or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event such item shall be satisfied and discharged forthwith; provided, however, that such satisfaction and discharge shall not constitute a waiver by the Sublessee of the right to continue to contest such item. At the request of the Sublessee, the State will cooperate fully with the Sublessee in any such contest.

**Section 8.03. Granting of Easements.** As long as no Event of Nonappropriation or Event of Default shall have happened and be continuing, the State shall, at the request of the Sublessee and with the consent of the Trustee:

(a) consent to the grant of easements, licenses, rights of way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to the Leased Property, free from this Sublease and the 2012H Lease and any security interest or other encumbrance created hereunder or thereunder;

(b) consent to the release of existing easements, licenses, rights of way and other rights and privileges with respect to the Leased Property, free from this Sublease or the 2012H Lease and any security interest or other encumbrance created hereunder or thereunder, with or without consideration; and

(c) execute and deliver any instrument necessary or appropriate to confirm and grant or release any easement, license, right of way or other grant or privilege under subsection (a) or (b) of this Section, upon receipt of: (i) a copy of the instrument of grant or release; and (ii) a written application signed by the Sublessee Representative requesting such instrument and stating that such grant or release will not materially adversely affect the value, or interfere with the effective use or operation, of the Leased Property.

**Section 8.04. Subleasing and Other Grants of Use.** The Sublessee may sublease or otherwise grant the right to use such Leased Property to another Person, but only if:

(a) the sublease or grant of use by the Sublessee complies with the covenant in Section 10.04 hereof; and

(b) the obligations of the Sublessee under this Sublease shall remain obligations of the Sublessee, and the Sublessee shall maintain its direct relationship with the State, notwithstanding any such sublease or grant of use.

**Section 8.05. Modification of Leased Property.** The Sublessee, at its own expense, may remodel, or make substitutions, additions, modifications or improvements to, its portion of the Leased Property, provided that: (a) such remodeling, substitutions, additions, modifications and improvements (i) shall not in any way damage such portion of the Leased Property as it existed prior thereto and (ii) shall become part of the Leased Property; (b) the value of the Leased Property after such remodeling, substitutions, additions, modifications and improvements shall be at least as great as the value of the Leased Property prior thereto; (c) the cost of all remodeling, substitutions, additions, modifications and improvements shall not exceed 10% of the sum of the proceeds of the Series 2012H Certificates and Allocated Investment Earnings deposited into the Sublessee's Project Account without the written approval of the State; and (d) the Leased Property, after such remodeling, substitutions, additions, modifications and improvements, shall continue to be used as provided in, and shall otherwise be subject to the terms of, this Sublease.

**Section 8.06. Substitution of Other Property for Leased Property.** The Sublessee, with the consent of the State, which may be granted or withheld at the sole discretion of the State, may at any time propose that other property be substituted for the Leased Property subject to the Sublease under both the 2012H Lease and this Sublease. Any such proposal must be accompanied by the items listed below in form and substance satisfactory to the State. If the items listed below are delivered, the State consents to the substitution and the Sublessee pays the costs of the substitution, the State shall, and shall cooperate with the Sublessee to cause the Trustee to, execute and deliver any documents or instruments requested by the Sublessee to accomplish the substitution. The items are:

(a) A certificate by the Sublessee certifying that, following such substitution, the Fair Market Value of the substituted property, determined as of the date of substitution, is equal to or greater than the Fair Market Value of the property for which it is to be substituted.

(b) A title insurance policy, an amendment or supplement to a previously issued title insurance policy or a commitment to issue such a policy, amendment or supplement that would allow the Sublessee and the State to make the title insurance representation set forth in the form of Project Account requisition attached as Appendix B to the 2012H Supplemental Indenture.

(c) A certificate by the Sublessee certifying that (i) the useful life of the substituted property extends to or beyond the final maturity of the Series 2012H Certificates and (ii) the substituted property is at least as essential to the Sublessee as the property for which it was substituted.

(d) An agreement by the Sublessee to pay all costs incurred by the Sublessee, the State, the Trustee or any other Person in connection with the substitution, including but not limited to, the costs of the title insurance required by clause (b) of this Section, the Trustee's fees and expenses, the State's third party costs and reasonable charges for the time of State employees and allocable overhead.

(e) An opinion of Bond Counsel to the effect that such substitution is permitted by Section 7.06 of the 2012H Lease, will not cause the Sublessee to violate its tax covenant set forth in Section 10.04 hereof and will not cause the State to violate its tax covenant set forth in Section 9.04 of the 2012H Lease.

#### **Section 8.07. Property Damage, Defect or Title Event.**

(a) If a Property Damage, Defect or Title Event occurs with respect to any portion of the Leased Property, the Net Proceeds received as a consequence thereof shall be deposited into a special trust fund held by the Trustee.

(b) If the costs of the repair, restoration, modification, improvement or replacement of the portion of the Leased Property affected by the Property Damage, Defect or Title Event are equal to or less than the Net Proceeds, the Net Proceeds shall be used promptly to repair, restore, modify, improve or replace the affected portion of the Leased Property and any excess shall be delivered to the Sublessee.

(c) If the costs of the repair, restoration, modification, improvement or replacement of the portion of the Leased Property affected by the Property Damage, Defect or Title Event are more than the Net Proceeds, then, the Sublessee shall elect one of the following alternatives:

(i) to use the Net Proceeds to promptly repair, restore, modify or improve or replace the affected portion of the Leased Property with property of a value equal to or in excess of the value of such portion of the Leased Property, in which case the Net Proceeds shall be used to pay a portion of the costs thereof and

the Sublessee shall, subject to Article VI hereof, pay the remainder of such costs as Additional Rent;

(ii) to substitute property for the affected portion of the Leased Property pursuant to Section 8.06 hereof, in which case the Net Proceeds shall be delivered to the Sublessee; or

(iii) to use the Net Proceeds to promptly repair, restore, modify or improve or replace the affected portion of the Leased Property to the extent possible with the Net Proceeds.

(d) The Sublessee shall not voluntarily settle, or consent to the settlement of, any proceeding arising out of any insurance claim, performance or payment bond claim, prospective or pending condemnation proceeding, or any action relating to default or breach of warranty under any contract relating to any portion of the Leased Property without the written consent of the State and the Trustee.

(e) No Property Damage, Defect or Title Event shall affect the obligation of the Sublessee to pay Additional Rent hereunder.

**Section 8.08. Condemnation by Sublessee.** The Sublessee agrees that, to the extent permitted by law, in the event it brings an eminent domain or condemnation proceeding with respect to the Leased Property, such proceeding shall be with respect to all the Leased Property and the value of the Leased Property for purposes of such proceeding shall be not less than the Sublessee's Purchase Option Price.

**Section 8.09. Personal Property of State or Sublessee.** The State or the Sublessee, at their own expense, may install equipment and other personal property in or on any portion of the Leased Property, which equipment or other personal property shall not become part of the Leased Property unless it is permanently affixed to the Leased Property or removal of it would materially damage the Leased Property, in which case it will become part of the Leased Property.

## ARTICLE IX

### SUBLESSEE'S PURCHASE OPTION; CONVEYANCE TO SUBLESSEE UPON CONVEYANCE TO STATE

#### **Section 9.01. Sublessee's Purchase Option.**

(a) The Sublessee is hereby granted the option to purchase all, but not less than all, of the Leased Property subject to this Sublease following the occurrence of an Event of Default or an Event of Nonappropriation under the 2012H Lease by paying to the Trustee the "Sublessee's Purchase Option Price," which is an amount equal to (i) the principal amount of the Attributable Certificates (defined below in this subsection) and interest thereon through the closing date for the purchase of the Leased Property and (ii) all Additional Rent payable through the date of conveyance of such Leased Property to the Sublessee pursuant to Section 9.02 hereof, including, but not limited to, all fees and

expenses of the Trustee and all expenses of the State relating to the conveyance of the Leased Property and the payment of the Attributable Certificates.

As used in this subsection, the term “Attributable Certificates” means, subject to the next sentence, (i) a principal amount of the Outstanding Series 2012H Certificates determined by multiplying the principal amount of all the Outstanding Series 2012H Certificates by a fraction, the numerator of which is the sum of the proceeds of the Series 2012H Certificates and the Allocated Investment Earnings deposited into the Sublessee’s Project Account and the denominator of which is sum of the proceeds of the Series 2012H Certificates and the Allocated Investment Earnings deposited into the Project Accounts of all 2012H Sublessees; and (ii) which principal amount shall be allocated among the maturities of the Outstanding Series 2012H Certificates in proportion to the principal amount of each maturity of the Outstanding Series 2012H Certificates, rounded to the nearest \$5,000 in principal amount of each such maturity. Notwithstanding the preceding sentence, if any portion of the Series 2012H Certificates has been paid, redeemed or defeased with the proceeds of another Series of Certificates, in applying this definition, Outstanding Certificates of the portion of the other Series of Certificates the proceeds of which were used to pay, redeem or defease the Series 2012H Certificates shall be substituted for the Series 2012H Certificates that were paid, redeemed or defeased. The rounding pursuant to the first sentence of this definition and the substitution of Outstanding Certificates of another Series of Certificates pursuant to the immediately preceding sentence shall be accomplished in any reasonable manner selected by the State in its sole discretion.

(b) In order to exercise its option to purchase the Leased Property pursuant to subsection (a) of this Section, the Sublessee must: (i) give written notice to the Trustee and the State within 15 Business Days after the Sublessee is notified by the Trustee that an Event of Default or an Event of Nonappropriation under the 2012H Lease has occurred (A) stating that the Sublessee intends to purchase the Leased Property pursuant to this Section, (B) identifying the Person to which the Leased Property is to be conveyed, (C) identifying the source of funds it will use to pay Sublessee’s Purchase Option Price and (D) specifying a closing date for such purpose which is no more than 90 days after the delivery of such notice; and (ii) pay the Sublessee’s Purchase Option Price to the Trustee in immediately available funds on the closing date.

(c) Upon payment of the Sublessee’s Purchase Option Price to the Trustee pursuant to this Section, the Sublessee’s obligation to pay, as applicable, Base Rent, principal of, premium, if any, and interest on its Matching Moneys Bond or Matching Moneys Installment Payments shall terminate and, if the Sublessee has delivered a Matching Moneys Bond, the State shall cancel such Matching Moneys Bond or return it to the Sublessee, as directed by the Sublessee.

**Section 9.02. Conveyance of Leased Property.** At the closing of any purchase of the Leased Property pursuant to Section 9.01 hereof, the State shall execute and deliver, and shall cooperate with the Sublessee to cause the Trustee to execute and deliver, to the Sublessee all necessary documents assigning, transferring and conveying to the Sublessee or its designee the same ownership interest in the Leased Property that was conveyed to the Trustee by the Site

Lessor under its Site Lease to the Trustee, subject only to the following: (i) Permitted Encumbrances, other than this Sublease, the 2012H Lease, the Indenture and the Site Lease pursuant to which the Leased Property was leased to the Trustee; (ii) all liens, encumbrances and restrictions created or suffered to exist by the Trustee or the State as required or permitted by the 2012H Lease or this Sublease or arising as a result of any action taken or omitted to be taken by the Trustee or the State as required or permitted by this Sublease, the 2012H Lease, the Indenture, the Site Lease pursuant to which the Leased Property was leased to the Trustee; (iii) any lien or encumbrance created or suffered to exist by action of the Sublessee; and (iv) those liens and encumbrances (if any) to which the Leased Property was subject when acquired by the Trustee and the State.

**Section 9.03. Conveyance to Sublessee upon Conveyance to State.** If the Sublessee has complied with and performed all of its obligations under this Sublease and its Matching Moneys Bond, upon the conveyance of the Leased Property to the State pursuant to Section 8.04 of the 2012H Lease, the State shall assign, transfer and convey its ownership interest in the Leased Property to the Sublessee or its designee in the manner described in, and subject to the provisions of, Section 9.02 hereof without any additional payment by the Sublessee. Such conveyance of the State's ownership interest in the Leased Property will not, however, extinguish or otherwise affect the Sublessee's independent obligations to continue to pay any unpaid principal of, premium, if any, and interest on its Matching Moneys Bond pursuant to the terms of its Matching Moneys Bond or to pay its Matching Money Installment Payments hereunder.

## ARTICLE X

### GENERAL COVENANTS

**Section 10.01. Further Assurances and Corrective Instruments.** So long as this Sublease is in full force and effect and no Event of Nonappropriation or Event of Default shall have occurred, the State and the Sublessee shall have full power to carry out the acts and agreements provided herein and the Sublessee and the State, at the written request of the other, shall from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property leased or intended to be leased hereunder, or for otherwise carrying out the intention of or facilitating the performance of this Sublease.

**Section 10.02. Compliance with Requirements of Law.** On and after the date hereof, neither the State nor the Sublessee shall take any action with respect to the Leased Property that violates the terms hereof or is contrary to the provisions of any Requirement of Law. Without limiting the generality of the preceding sentence, the Sublessee, in particular, shall use the Leased Property in a manner such that (a) the Leased Property at all times is operated in compliance with all Requirements of Law; (b) all permits required by Requirements of Law in respect of the Sublessee's use of the Leased Property are obtained, maintained in full force and effect and complied with; (c) there shall be no hazardous substance, pollutant or contaminant (as those terms are defined in the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. § 9601, et seq., any applicable state law or regulations

promulgated under either), solid or hazardous waste (as defined in the Resource Conservation and Recovery Act, as amended, 42 U.S.C. § 6901, et seq., any applicable state law or regulations promulgated under either), special waste, petroleum or petroleum derived substance, radioactive material or waste, polychlorinated biphenyls, asbestos or any constituent of any of the foregoing located on, in or under the Leased Property in violation of any Requirements of Law; (d) there shall be no disposal of any of the items referred to in clause (c) on, from, into or out of the Leased Property in violation of any Requirements of Law; and (e) there shall be no spillage, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leeching, dumping, disposing, depositing or dispersing of any of the items referred to in clause (c) into the indoor or outdoor environment from, into or out of the Leased Property, including but not limited to the movement of any such items through or in the air, soil, surface water, ground water from, into or out of the Leased Property or the abandonment or discard of barrels, containers or other open or closed receptacles containing any such items from, into or out of the Leased Property in violation of any Requirements of Law.

### **Section 10.03. Participation in Legal Actions.**

(a) At the request of and at the cost of the Sublessee (payable as Additional Rent hereunder), the State shall, and shall cooperate with the Sublessee to cause the Trustee to, join and cooperate fully in any legal action in which the Sublessee asserts its right to the enjoyment of the Leased Property; that involves the imposition of any charges, costs or other obligations or liabilities on or with respect to the Leased Property or the enjoyment of the Leased Property by the Sublessee; or that involves the imposition of any charges, costs or other obligations with respect to the Sublessee's execution, delivery and performance of its obligations under this Sublease, the Sublessee's Matching Moneys Bond or the Site Lease pursuant to which the Leased Property was leased to the Trustee.

(b) At the request of the State or the Trustee, the Sublessee shall, at the cost of the Sublessee (payable as Additional Rent hereunder), join and cooperate fully in any legal action in which the State or the Trustee asserts its ownership of or interest in the Leased Property; that involves the imposition of any charges, costs or other obligations on or with respect to the Leased Property for which the Trustee or the State is responsible under the 2012H Lease or this Sublease; or that involves the imposition of any charges, costs or other obligations with respect to the execution and delivery or acceptance of this Sublease, the Sublessee's Matching Moneys Bond, the Site Lease pursuant to which the Leased Property was leased to the Trustee, the 2012H Lease or the Indenture by the State or the Trustee or the performance of the obligations of the State or the Trustee hereunder or thereunder.

**Section 10.04. Tax Covenant of Sublessee.** The Sublessee (a) will not use or permit any other Person to use its Project and will not use, invest or direct any other Person to use or invest any moneys that it withdraws from its Project Account in a manner that would cause an Adverse Tax Event or Adverse Federal Direct Payment Event and (b) will comply with the certifications, representations and agreements set forth in the Tax Compliance Certificate executed and delivered by the Sublessee in connection with the execution of this Sublease. The

Sublessee acknowledges that the State, in the 2012H Lease, has agreed to enforce the covenant of the Sublessee set forth in this Section against the Sublessee.

**Section 10.05. Fees and Expenses of Trustee; State Expenses; Deposits to Rebate Fund; Rebate Calculations.** The Additional Rent that may be payable by the Sublessee in accordance with Section 6.02 hereof shall include the Sublessee's Proportionate Share of (a) the fees and expenses payable to the Trustee pursuant to Section 9.05 of the 2012H Lease and any similar provision of any other Lease; (b) the costs and expenses incurred by the State in connection with the Leased Property, the Projects, the Certificates, the Leases, the Indenture, the Site Leases, the Subleases, the Matching Money Bonds or any matter related thereto, including, but not limited to, a reasonable charge for the time of State employees and allocable overhead; (c) the amounts paid by the State pursuant to Section 9.06 of the 2012H Lease and any similar provision of any other Lease to make deposits to the Rebate Fund; and (d) the costs and expenses incurred in connection with the rebate calculations required by the Master Indenture.

**Section 10.06. Investment of Funds.** By authorizing the execution and delivery of this Sublease, the Sublessee specifically authorizes the investment of moneys held by the Trustee in Permitted Investments (as defined in the Indenture) where the period from the date of purchase thereof to the maturity date is in excess of five years.

## ARTICLE XI

### LIMITS ON OBLIGATIONS OF STATE

**Section 11.01. Disclaimer of Warranties.** THE STATE MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE LEASED PROPERTY. In no event shall the State be liable for any incidental, special or consequential damage in connection with or arising out of this Sublease or the existence, furnishing, functioning or use by the Sublessee of any item, product or service provided for herein.

**Section 11.02. Financial Obligations of State Limited to Sublessee's Project Account and Specified Amounts from the Assistance Fund.** Notwithstanding any other provision hereof, all financial obligations of the State under this Sublease are limited to the Sublessee's Project Account and the specified amount of money in the Assistance Fund that is available to pay a portion of the Costs of the Sublessee's Project in accordance with Section 4.10 hereof.

## ARTICLE XII

### EVENTS OF DEFAULT AND REMEDIES

**Section 12.01. Events of Default Defined.**

(a) Any of the following shall constitute an "Event of Default" under this Sublease, subject to Section 14.22 hereof:

(i) failure by the Sublessee to pay, as applicable, any specifically appropriated Base Rent to the State on or before the applicable Base Rent Payment Date, any principal of, premium, if any, or interest on its Matching Moneys Bond when due or any Matching Moneys Installment Payment when due;

(ii) failure by the Sublessee to pay any Additional Rent for which funds have been specifically appropriated when due, or if such Additional Rent is payable to a Person other than the State, when nonpayment thereof has, or may have, a material adverse effect upon any of the Certificates, any of the Leased Property or the interest of the State in any of the Leased Property;

(iii) failure by the Sublessee to vacate the Leased Property within 90 days following an Event of Nonappropriation or Event of Default under this Sublease or a termination of the 2012H Lease as a result of an Event of Nonappropriation or Event of Default under the 2012H Lease;

(iv) any sublease, assignment, encumbrance, conveyance or other transfer of the interest of the Sublessee in all or any portion of this Sublease or the Leased Property in violation of Section 13.01 hereof or any succession to all or any portion of the interest of the Sublessee in the Leased Property in violation of Section 13.02 hereof; or

(v) failure by the Sublessee to observe and perform any covenant, condition or agreement on its part to be observed or performed in this Sublease, in its Matching Moneys Bond or in any other instrument related hereto or thereto (including but not limited to the Tax Compliance Certificate executed or issued in connection with this Sublease), other than as referred to in clause (i), (ii), (iii) or (iv) above, for a period of 30 days after written notice, specifying such failure and requesting that it be remedied shall be given to the Sublessee by the State, unless the State shall consent in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the State shall not withhold its consent to an extension of such time if corrective action shall be instituted within the applicable period and diligently pursued until the default is corrected.

(b) The provisions of subsection (a) of this Section are subject to the following limitations:

(i) the Sublessee shall remain obligated to pay, as applicable, principal of, premium, if any, and interest on its Matching Moneys Bond and its Matching Money Installment Payments when due, notwithstanding any termination of the Sublease Term or this Sublease or any limitation on any of the other obligations of the Sublessee hereunder;

(ii) the Sublessee shall be obligated to pay Rent only during the Sublease Term, except as otherwise expressly provided in Section 3.02(b)(ii) hereof; and

(iii) if, by reason of Force Majeure, the Sublessee shall be unable in whole or in part to carry out any agreement on its part herein contained, other than its obligation to pay money, the Sublessee shall not be deemed in default during the continuance of such inability; provided, however, that the Sublessee shall, as promptly as legally and reasonably possible, remedy the cause or causes preventing the Sublessee from carrying out such agreement, except that the settlement of strikes, lockouts and other industrial disturbances shall be solely within the discretion of the Sublessee; and provided further that this paragraph shall not apply to any obligation of the Sublessee under the Sublessee's Matching Moneys Bond or with respect to its Matching Moneys Installment Payments.

**Section 12.02. Remedies on Default.** Whenever any Event of Default shall have happened and be continuing, the State, with the consent of the Trustee, may take one or any combination of the following remedial steps:

(a) terminate the Sublease Term and give notice to the Sublessee to immediately vacate the Leased Property in the manner provided in Section 3.02(b) hereof;

(b) sell or lease its interest in all or any portion of the Leased Property;

(c) recover any of the following from the Sublessee that is not recovered pursuant to subsection (b) of this Section:

(i) the portion of Rent payable pursuant to Section 3.02(b)(ii) hereof;

(ii) all amounts due under the Sublessee's Matching Moneys Bond in accordance with the terms of the Sublessee's Matching Moneys Bond; and the portion of any Base Rent or Matching Moneys Installment Payments payable by the Sublessee for the then current Fiscal Year that has been specifically appropriated by the Sublessee's Governing Body, regardless of when the Sublessee vacates the Leased Property; and

(iii) the portion of the Additional Rent for the then current Fiscal Year that has been specifically appropriated by the Sublessee's Governing Body, but only to the extent such Additional Rent is payable prior to the date, or is attributable to the use of the Leased Property prior to the date, the Sublessee vacates the Leased Property;

(d) enforce any provision of this Sublease by equitable remedy, including, but not limited to, enforcement of the restrictions on assignment, encumbrance, conveyance, transfer or succession under Article XIII hereof by specific performance, writ of mandamus or other injunctive relief; and

(e) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under this Sublease, subject, however, to the limitations on the obligations of the Sublessee under Sections 6.05 and 12.03 hereof.

**Section 12.03. Limitations on Remedies.** A judgment requiring a payment of money may be entered against the Sublessee by reason of an Event of Default only as to the Sublessee's liabilities described in Section 12.02(c) hereof.

**Section 12.04. No Remedy Exclusive.** Subject to Section 12.03 hereof, no remedy herein conferred upon or reserved to the State is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Sublessee to exercise any remedy reserved in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article.

**Section 12.05. Waivers.** The State, with the consent of the Trustee, may waive any Event of Default under this Sublease and its consequences. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

## ARTICLE XIII

### TRANSFERS OF INTERESTS IN SUBLEASE OR LEASED PROPERTY

**Section 13.01. Transfers Prohibited.** Except as otherwise permitted by Section 8.04 hereof with respect to subleasing or grants of use of the Leased Property, Section 8.06 with respect to substitutions of other property for Leased Property and Section 13.02 hereof with respect to transfers of the Leased Property following termination of the Sublease Term or as otherwise required by law, the Sublessee shall not sublease, assign, encumber, convey or otherwise transfer all or any portion of its interest in this Sublease or the Leased Property to any Person, whether now in existence or organized hereafter.

**Section 13.02. Transfer After Conveyance of Leased Property to Sublessee.** Notwithstanding Section 13.01 hereof, the Sublessee may, with the Site Lessor's prior written consent, transfer its leasehold interest in the Leased Property after, and only after, this Sublease Term has terminated and the Leased Property has been conveyed to the Sublessee pursuant to Article IX hereof.

## ARTICLE XIV

### MISCELLANEOUS

**Section 14.01. Binding Effect.** This Sublease shall inure to the benefit of and shall be binding upon the Sublessee and the State and their respective successors and assigns, subject, however, to the limitations set forth in Article XIII hereof. This Sublease and the covenants set forth herein are expressly intended to be covenants, conditions and restrictions running with the Leased Property and the leasehold estate in the Leased Property under this Sublease.

**Section 14.02. Interpretation and Construction.** This Sublease and all terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Sublease. For purposes of this Sublease, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Sublease to designated “Articles,” “sections,” “subsections,” “paragraphs,” “clauses” and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of this Sublease. The words “herein,” “hereof,” “hereto,” “hereby,” “hereunder” and other words of similar import refer to this Sublease as a whole and not to any particular Article, Section or other subdivision.

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

(c) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles applicable to governmental entities, subject to statutory exceptions and modifications, as in effect from time to time.

(d) The term “money” includes any cash, check, deposit, investment security or other form in which any of the foregoing are held hereunder.

(e) In the computation of a period of time from a specified date to a later specified date, the word “from” means “from and including” and each of the words “to” and “until” means “to but excluding.”

**Section 14.03. Acknowledgement of and Subordination to 2012H Lease and Indenture.** The Sublessee has received copies of, and acknowledges the terms of, the 2012H Lease and the Indenture and agrees that its rights hereunder are subordinate and subject to the rights of the Trustee and the Owners of the Certificates under the 2012H Lease and the Indenture.

**Section 14.04. Trustee, State and Sublessee Representatives.** Whenever under the provisions hereof the approval of the Trustee, the State or the Sublessee is required, or the Trustee, State or the Sublessee is required to take some action at the request of the other, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative, for the State by the State Representative and by the Sublessee for the Sublessee Representative and the Trustee, the State and the Sublessee shall be authorized to act on any such approval or request. The Sublessee Representative is the \_\_\_\_\_ of the Sublessee or any Person appointed as Sublessee Representative by such Person.

**Section 14.05. Manner of Giving Notices.** All notices, certificates or other communications hereunder shall be in writing and shall be deemed given when mailed by first class United States mail, postage prepaid, or when sent by facsimile transmission or electronic mail, addressed as follows: if to the State, to Colorado State Treasurer, 140 State Capitol, 200 E. Colfax Ave., Denver, CO 80203, Attention: Deputy State Treasurer, facsimile number: 303-866-2123, electronic mail address: [brett.j.johnson@state.co.us](mailto:brett.j.johnson@state.co.us), with a copy to Colorado

State Controller, 633 Seventeenth Street, Suite 1500, Denver, Colorado 80203, Attention: David J. McDermott, facsimile number: 303-866-4233, electronic mail address: david.mcdermott@state.co.us, and with a copy to Public School Capital Construction Assistance Board, 1525 Sherman Street, Suite B17, Denver, Colorado 80203, Attention: Chair, facsimile number: 303.866.6168, electronic mail address: hughes\_t@cde.state.co.us; if to the Trustee, to Zions First National Bank, 1001 Seventeenth Street, Suite 850, Denver, Colorado 80202, Attention: Corporate Trust Services, facsimile number: 855-547-6178, electronic mail address: denvercorporatetrust@zionsbank.com; [and] if to the Sublessee, to \_\_\_\_\_, Attention: \_\_\_\_\_, facsimile number: \_\_\_\_\_, electronic mail address: \_\_\_\_\_]; and, if to the Sublessee's Chartering Authority, \_\_\_\_\_, Attention: Superintendent, facsimile number: \_\_\_\_\_, electronic mail address: \_\_\_\_\_]. Any notice party may, by written notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

**Section 14.06. No Individual Liability.** All covenants, stipulations, promises, agreements and obligations of the State or the Sublessee, as the case may be, contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the State or the Sublessee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the State or the Sublessee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the State or the Sublessee or any natural person executing this Sublease or any related document or instrument; provided, however, that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

**Section 14.07. Amendments, Changes and Modifications.** Except as otherwise provided herein, this Sublease may only be amended, changed, modified or altered by a written instrument executed by the State, the Assistance Board and the Sublessee.

**Section 14.08. State May Rely on Certifications, Representations and Agreements of Sublessee.** The State may rely on the certifications, representations and agreements of the Sublessee in this Sublease (including any Exhibit hereto) and may assume that the Sublessee will perform all of its obligations under this Sublease for purposes of making certifications, representations and agreements to and with the Trustee in the 2012H Lease and making certifications and representations to Bond Counsel, Owners or potential Owners of Certificates and any other Person with respect to the Leased Property, the Projects, the Leases, the Site Leases, the Matching Moneys Bonds, the Certificates, the Indenture or any matter related thereto.

**Section 14.09. Events Occurring on Days that are not Business Days.** If the date for making any payment or the last day for performance of any act or the exercising of any right under this Sublease is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Sublease.

**Section 14.10. Legal Description of Land Included in Leased Property.** The legal description of the land included in the Leased Property subject to this Sublease is set forth in Exhibit B hereto. If the land included in Leased Property subject to this Sublease is modified pursuant to the terms of this Sublease or other land is substituted for land included in the Leased Property subject to this Sublease pursuant to the terms of this Sublease, the legal description set forth in Exhibit B hereto will be amended to describe the land included in the Leased Property subject to this Sublease after such modification or substitution.

**Section 14.11. Merger.** The State, the Trustee, the Site Lessor of the Leased Property and the Sublessee intend that the legal doctrine of merger shall have no application to this Sublease, the 2012H Lease or the Site Lease pursuant to which the Leased Property is leased to the Trustee by the Sublessee or the Sublessee's Chartering Authority and that none of the execution and delivery of this Sublease by the State and the Sublessee, the 2012H Lease by the Trustee and the State or such Site Lease by the Site Lessor and the Trustee or the exercise of any remedies by any party under this Sublease, the 2012H Lease or such Site Lease shall operate to terminate or extinguish this Sublease, the 2012H Lease or Site Lease.

**Section 14.12. Severability.** In the event that any provision of this Sublease, other than the obligation of the Sublessee to pay Additional Rent hereunder and the obligation of the State to provide quiet enjoyment of the Leased Property, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**Section 14.13. Captions.** The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Sublease.

**Section 14.14. Applicable Law.** The laws of the State and rules and regulations issued pursuant thereto, as the same may be amended from time to time, shall be applied in the interpretation, execution and enforcement of this Sublease. Any provision of this Sublease, whether or not incorporated herein by reference, which provides for arbitration by an extra-judicial body or person or which is otherwise in conflict with said laws, rules and regulations shall be considered null and void. Nothing contained in any provision hereof or incorporated herein by reference which purports to negate this Section in whole or in part shall be valid or enforceable or available in any action at law whether by way of complaint, defense or otherwise. Any provision rendered null and void by the operation of this Section will not invalidate the remainder of this Sublease to the extent that this Sublease is capable of execution. At all times during the performance of this Sublease, the Sublessee shall strictly adhere to all applicable federal and State laws, rules and regulations that have been or may hereafter be established.

**Section 14.15. Execution in Counterparts.** This Sublease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**Section 14.16. State Controller's Approval.** This Sublease shall not be deemed valid until it has been approved by the State Controller or such assistant as the State Controller may

designate. Financial obligations of the State payable after the current Fiscal Year are contingent upon funds for that purpose being appropriated, budgeted and otherwise made available.

**Section 14.17. Non-Discrimination.** The Sublessee agrees to comply with the letter and the spirit of all applicable State and federal laws respecting discrimination and unfair employment practices.

**Section 14.18. Vendor Offset.** Pursuant to C.R.S. §§ 24-30-202(1) and 24-30-202.4, the State Controller may withhold payment of certain amounts owed by State agencies under the State's vendor offset intercept system for (a) unpaid child support debts or child support arrearages; (b) unpaid balances of tax, accrued interest, or other charges specified in C.R.S. § 39 21-101 et seq.; (c) unpaid loans due to the Student Loan Division of the Department of Higher Education; (d) amounts required to be paid to the Unemployment Compensation Fund; and (e) other unpaid debts certified by the State Controller as owing to the State as a result of final agency determination or judicial action.

**Section 14.19. Employee Financial Interest.** The signatories to this Sublease aver that, to their knowledge, no employee of the State has any personal or beneficial interest whatsoever in the service or property described herein.

**Section 14.20. Accounting Allocation of State's Base Rent.** Exhibit C hereto allocates the Base Rent payments of the State under the 2012H Lease among the 2012H Sublessees for accounting purposes. Exhibit C is included solely at the request of the Sublessee for its accounting purposes and shall not affect, and may not be used to determine, any rights or obligations of the State, the Sublessee or any other Person under this Sublease, the 2012H Lease, the Indenture or the Site Lease or for any other purpose.

**Section 14.21. Assistance Board as Party.** The Assistance Board is a party to this Sublease solely for the purpose of complying with the Act. Except as otherwise provided in Section 14.05 and 14.07 hereof, all actions hereunder or with respect hereto may be taken by the State, acting by and through the State Treasurer, without any participation by the Assistance Board.

**Section 14.22. Rights and Obligations of Sublessee's Chartering Authority.** Notwithstanding any other provision of this Sublease, if the Sublessee's Chartering Authority is a party to this Sublease:

(a) The Sublessee's Chartering Authority is a party to this Sublease solely for purposes of this Section.

(b) If (i) the Sublessee's Charter is terminated or expires for any reason, (ii) the Sublessee attempts, without the written consent of the State and the Sublessee's Chartering Authority, to transfer all or any portion of its interest in, to sublease or to grant the right to use the Leased Property to any other Person other than the Sublessee's Chartering Authority (except for a right to use that does not interfere with the operation of the Leased Property as a charter school in accordance with the Sublessee's Charter) or (iii) the Sublessee fails to use the Leased Property as a charter school in accordance with its Charter, then, automatically, without any further action by any Person, all the

rights and obligations of the Sublessee under this Sublease and to the Leased Property shall terminate and the Sublessee's Chartering Authority shall succeed to all the rights and obligations of the Sublessee under this Sublease and to the Leased Property. If any such event occurs, the Sublessee and the Sublessee's Chartering Authority shall immediately deliver written notice to the State and the Trustee and the Sublessee, the Sublessee's Chartering Authority, the State and the Trustee shall take all actions reasonably requested by any of them to evidence such termination and succession, but a failure to deliver any such notice or take any such action shall not effect the operation of the first sentence of this subsection.

(c) If an Event of Default or Event of Nonappropriation under the 2012H Lease has occurred and the Sublessee has not delivered the notice required to be delivered to the Trustee and the State under Section 9.01(b)(i) hereof or the Sublessee has delivered such notice but has failed to pay the Sublessee's Purchase Option Price on the closing date pursuant to Section 9.01 hereof, the State shall notify the Sublessee's Chartering Authority and the Sublessee's Chartering Authority shall have the option to purchase the Leased Property in accordance with Section 9.01 hereof; provided that the Site Lessor shall have an additional 15 Business Days after delivery of the notice from the State to deliver a notice to the Trustee and the State in accordance with Section 9.01(b)(i) hereof.

(d) If, but for the application of this Section, an Event of Default has occurred or events have occurred that, with the passage of time without a cure, will result in an Event of Default (for purposes of this Section, a "prospective Event of Default"), the State shall notify the Sublessee's Chartering Authority and the Sublessee's Chartering Authority shall have the right to cure the prospective Event of Default within the time period available to the Sublessee under Section 12.01 hereof plus 15 Business Days. If the Sublessee's Chartering Authority cures the prospective Event of Default pursuant to this subsection, no Event of Default shall be deemed to have occurred and the Sublessee's Chartering Authority shall have the option to succeed to all rights and obligations of the Sublessee under this Sublease by delivering a written notice to the State and the Trustee that it desires to do so. If the Sublessee delivers such a notice, it shall automatically, without any further action by any Person, succeed to the rights and obligations of the Sublessee under this Sublease and the State and the Trustee shall take all actions reasonably requested by the Sublessee's Chartering Authority to effect and evidence such succession.

(e) If (i) the Sublessee's Chartering Authority is the Site Lessor under the Site Lease pursuant to which the Leased Property subject to this Sublease is leased to the Trustee and (ii)(A) such Leased Property is conveyed by the Trustee to the State pursuant to the Lease pursuant to which such Leased Property is leased to the State or (B) such Leased Property is conveyed by the State to the Sublessee pursuant to Section 9.03 hereof, then, the Sublessee and the Sublessee's Chartering Authority agree that such Site Lease shall, pursuant to Section 11.03 thereof, continue with the Sublessee succeeding to the rights and obligations of the Trustee thereunder.

THE PARTIES HERETO HAVE EXECUTED THIS SUBLEASE OF \_\_\_\_\_ AS OF THE DATE FIRST SET FORTH ABOVE

\* Person(s) signing hereby swear and affirm that they are authorized to act and acknowledge that the State is relying on their representations to that effect.

<p>[SUBLESSEE]</p> <p>_____</p> <p style="text-align: center;">Name, Title</p> <p>[DISTRICT SEAL]</p> <p>Attest:</p> <p>_____</p> <p style="text-align: center;">Name, Title</p> <p>[SUBLESSEE'S CHARTERING AUTHORITY]</p> <p>By: _____</p> <p>Title: _____</p> <p>_____</p> <p style="text-align: center;">*Signature</p>	<p>STATE OF COLORADO John W. Hickenlooper GOVERNOR Department of Treasury</p> <p>_____</p> <p style="text-align: center;">By Walker R. Stapleton, State Treasurer</p>
<p>STATE OF COLORADO John W. Hickenlooper GOVERNOR Department of Personnel &amp; Administration Office of the State Architect, Real Estate Programs For the Executive Director</p> <p>By: _____</p> <p style="text-align: center;">Michael R. Karbach, Manager of Real Estate Programs</p>	<p>PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE BOARD, acting on behalf of the State of Colorado</p> <p>By: _____</p> <p style="text-align: center;">_____, Chair</p>
	<p style="text-align: center;">LEGAL REVIEW John W. Suthers, Attorney General</p> <p>By: _____</p> <p style="text-align: center;">Heidi Dineen, Assistant Attorney General</p>

ALL CONTRACTS REQUIRE APPROVAL BY THE STATE CONTROLLER

CRS §24-30-202 requires the State Controller to approve all State Contracts. This Contract is not valid until signed and dated below by the State Controller or delegate. Contractor is not authorized to begin performance until such time. If Contractor begins performing prior thereto, the State of Colorado is not obligated to pay Contractor for such performance or for any goods and/or services provided hereunder.

STATE CONTROLLER  
David J. McDermott, CPA

By: \_\_\_\_\_

David J. McDermott, State Controller

Date: \_\_\_\_\_

STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of December, 2012, by Walker R. Stapleton, Colorado State Treasurer, acting on behalf of the State of Colorado, and by \_\_\_\_\_, Chair of the Public School Capital Construction Assistance Board, acting on behalf of the State of Colorado.

WITNESS MY HAND AND OFFICIAL SEAL the day and year above written.

[NOTARIAL SEAL]

\_\_\_\_\_  
Notary

My commission expires:

\_\_\_\_\_

STATE OF COLORADO )  
 ) ss.  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of December, 2012  
by \_\_\_\_\_, as \_\_\_\_\_ of \_\_\_\_\_.

WITNESS MY HAND AND OFFICIAL SEAL the day and year above written.

[NOTARIAL SEAL]

\_\_\_\_\_  
Notary

My commission expires:

\_\_\_\_\_

[ADD CHARTER NOTARY IF APPLICABLE]

**EXHIBIT A**

**LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED PROPERTY**

[insert]

**EXHIBIT B**  
**SPECIFICATIONS FOR PROJECT**

[insert]

**EXHIBIT C**

**ACCOUNTING ALLOCATION OF STATE'S BASE RENT**

[insert]

**EXHIBIT D**

**MATCHING MONEYS**

Matching Moneys Amount: [\$\_\_\_\_\_] [None; no Matching Moneys.]

Matching Moneys Obligation Satisfied By: [None; no Matching Moneys.] [A cash payment on date Sublease is executed and delivered.] [Base Rent payable under this Sublease.] [The delivery of a Matching Moneys Bond.] [Matching Moneys Installment Payments.]

\*IF CASH PAYMENT AND SUBLESSEE IS AUTHORIZED TO WITHDRAW MONEY FROM THE ASSISTANCE FUND TO PAY COSTS OF THE SUBLESSEE'S PROJECT:  
Dollar Amount of Money in the Assistance Fund Available to Pay Costs of the Sublessee's Project: \$\_\_\_\_\_.

\*IF BASE RENT:

The Sublessee is obligated to pay Base Rent under this Sublease on the dates and in the amounts set forth below:

<b>Payment Date</b>	<b>Base Rent</b>
	\$

\*IF MATCHING MONEYS BOND:

Description of Matching Moneys Bond: (name, date, principal amount, interest rate, maturity date(s), interest payment dates, other relevant terms) ]

\*IF MATCHING MONEYS INSTALLMENT PAYMENTS:

The Sublessee is obligated to pay Matching Moneys Installment Payments under this Sublease on the dates and in the amounts set forth below:

**Payment Date**

**Matching Moneys  
Installment Payment**

\$

Sources of Matching Moneys Installment Payments: [amount, sources, dates to be received]

## EXHIBIT E

### FORM OF ASSISTANCE FUND REQUISITION

Public School Capital Construction Assistance Board  
1525 Sherman Street, Suite B17  
Denver, Colorado 80203  
Attention: Chair

#### State of Colorado Building Excellent Schools Today

Ladies and Gentlemen:

This Assistance Fund Requisition is delivered by the Participating K-12 Institution identified below (the “Participating K-12 Institution”) and the State of Colorado, acting by and through the State Treasurer (the “State”), to the Public School Capital Construction Assistance Board (the “Assistance Board”) pursuant to the Building Excellent Schools Today Sublease of the Sublessee dated as of December 6, 2012 (the “Sublease”) between the Participating K-12 Institution and the State and the Assistance Board. *Capitalized terms used but not defined herein have the meanings assigned to them in the Glossary attached to the State of Colorado Building Excellent Schools Today Master Trust Indenture dated August 12, 2009, as such Glossary has been amended, supplemented and restated by the Glossary attached to the State of Colorado Building Excellent Schools Today Series 2012H Supplemental Trust Indenture dated December 6, 2012 and as it may further be amended, supplemented and restated from time to time.*

The Participating K-12 Institution and the State, in accordance with the Participating K-12 Institution’s Sublease, hereby requisitions the dollar amount described below from the Assistance Fund to pay, or reimburse the Participating K-12 Institution for the payment of, Costs of the Participating K-12 Institution’s Project.

**Representations of Participating K-12 Institution and State.** The Participating K-12 Institution and the State each represent that:

1. The Participating K-12 Institution has withdrawn all moneys that it may withdraw from the Participating K-12 Institution’s Project Account pursuant to Section 4.10(a) of the Participating K-12 Institution’s Sublease.
2. The total amount withdrawn from the Assistance Fund pursuant to this Requisition and all previous requisitions does not exceed the amount set forth in Exhibit D to the Participating K-12 Institution’s Sublease as the amount of money in the Assistance Fund available to pay Costs of the Participating K-12 Institution’s Project.

**Representations of Participating K-12 Institution.** The Participating K-12 Institution represents that:

(a) This Requisition is not for an amount that the Participating K-12 Institution does not intend to pay to a Contractor or material supplier because of a dispute or other reason.

(b) Title to all Work to be paid for with moneys withdrawn pursuant to this Requisition will pass to the Trustee no later than the time of payment. If the moneys withdrawn pursuant to this Requisition are to be used to pay for materials or equipment, the materials or equipment have already been delivered and title thereto has already been transferred to the Trustee.

(c) If the moneys withdrawn pursuant to this Requisition are to be used to pay, or to reimburse the Participating K-12 Institution for the payment of, Costs of the Project incurred in connection with the acquisition of any real estate included in or to be added to the Leased Property: (i) the Trustee owns such real estate or a leasehold interest in such real estate free and clear of encumbrances other than Permitted Encumbrances and (ii) the Fair Market Value of such real estate is at least equal to the amount of money to be withdrawn.

(d) If this Requisition is for the final installment of the Costs of the Project, a Certificate of Completion has been delivered to or is being delivered with this Requisition to the State and the Trustee.

(e) The Participating K-12 Institution's Sublease is in full force and effect and no Event of Default or Event of Nonappropriation has occurred and is continuing thereunder; and, if the Participating K-12 Institution has delivered a Matching Moneys Bond to the State, such Matching Moneys Bond is in full force and effect and the Participating K-12 Institution has paid all amounts due, and is not otherwise in default with respect to any of its obligations with respect to, such Matching Money Bond.

**Representations of State.** The State represents no Event of Default or Event of Nonappropriation has occurred and is continuing under any Lease.

NAME OF PARTICIPATING K-12 INSTITUTION:

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TOTAL DOLLAR AMOUNT REQUESTED PURSUANT TO THIS REQUISITION:

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The Assistance Board is hereby directed to mail checks in the amounts to the payees, and to deliver an IRS Form 1099 for the total amount paid to each such payee pursuant to this Requisition and other Requisitions during each calendar year, at the addresses shown in the Payment Schedule attached hereto.

The undersigned hereby certifies that he/she is, as appropriate, the Participating K-12 Institution Representative and the State Representative and is authorized to sign and deliver this Requisition to the Assistance Board pursuant to the Participating K-12 Institution's Sublease.

NAME OF PARTICIPATING K-12  
INSTITUTION:

\_\_\_\_\_  
BY PARTICIPATING K-12 INSTITUTION  
REPRESENTATIVE

\_\_\_\_\_  
Print Name of Participating K-12 Institution  
Representative

\_\_\_\_\_  
Signature of Participating K-12 Institution  
Representative

STATE OF COLORADO, ACTING BY AND  
THROUGH THE STATE TREASURER

By \_\_\_\_\_  
State Representative

Date: \_\_\_\_\_

**PAYMENT SCHEDULE TO ASSISTANCE FUND REQUISTION**

<b>Payee</b>	<b>Address</b>	<b>Amount to be Paid</b>
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**APPENDIX C**  
**Form of Continuing Disclosure Undertaking**

**\$195,965,000**  
**STATE OF COLORADO**  
**BUILDING EXCELLENT SCHOOLS TODAY**  
**CERTIFICATES OF PARTICIPATION**  
**TAX-EXEMPT SERIES 2012H**

**CONTINUING DISCLOSURE UNDERTAKING**

This Continuing Disclosure Undertaking (the “**Disclosure Certificate**”) is executed and delivered by the State of Colorado (the “**State**”), acting by and through the State Treasurer, in connection with the issuance of the above-referenced Certificates of Participation (the “**Certificates**”) evidencing assignments of proportionate interests in the right to receive certain payments payable under an annually renewable State of Colorado Building Excellent Schools Today Series 2012H Lease Purchase Agreement, dated as of December 6, 2012, entered between Zions First National Bank, as Trustee under a Master Trust Indenture, as supplemented (the “**Indenture**”), and the State. The Series 2012H Certificates are being delivered pursuant to the Indenture and under authority granted by the laws of the State, including particularly House Bill 08-1335 and Senate Bill 09-257, each codified in part by Article 43.7 of Title 22, Colorado Revised Statutes.

The State covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the State for the benefit of the Owners of the Certificates and in order to allow the Participating Underwriters (as defined by Rule 15c2-12) to comply with Rule 15c2-12.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Financial Information” means the financial information or operating data with respect to the State, delivered at least annually pursuant to Section 3 hereof, of the type set forth in the Official Statement, including but not limited to, such financial information and operating data under **Appendix E** – “THE STATE GENERAL FUND,” **Appendix F** – “PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE FUND,” **Appendix G** – “LEASED PROPERTY RELATING TO PRIOR CERTIFICATES” (which shall include information on the Leased Property for all Participating K-12 Institutions, not just “Prior Certificates”), and **Appendix I** – “STATE PENSION SYSTEM.”

“Audited Financial Statements” means the annual financial statements for the State, prepared in accordance with generally accepted accounting principles as applicable to governmental entities as in effect from time to time, audited by the State Auditor.

“Events” means any of the events listed in Section 4(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board. The address of the MSRB as of the date hereof is 1900 Duke Street, Suite 600, Alexandria, Virginia 22314; fax 703-683-1930. As of the date

hereof, the MSRB's required method of filing is electronically via its Electronic Municipal Market Access (EMMA) system, with a portal at <http://emma.msrb.org>.

"Official Statement" means the final Official Statement delivered in connection with the original issue and sale of the Certificates.

"Owner of the Certificates" means the registered owner of the Certificates, and so long as the Certificates are subject to the book entry system, any Beneficial Owner as such term is defined in the Indenture.

"Rule 15c2-12" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### SECTION 3. Provision of Annual Information.

(a) Commencing with the Fiscal Year ended June 30, 2012, and annually while the Certificates remain outstanding, the State shall provide to the MSRB the Annual Financial Information and Audited Financial Statements.

(b) Such Annual Financial Information shall be provided by the State not later than 270 days after the end of each Fiscal Year of the State. The Audited Financial Statements will be provided when available but in no event later than 210 days after the end of each Fiscal Year; provided, however, that in the event the Audited Financial Statements are not available within the time specified, such Audited Financial Statements will be provided as soon as they are available.

(c) The State may provide Annual Financial Information and Audited Financial Statements by specific cross-reference to other documents which have been submitted to the MSRB or filed with the Securities and Exchange Commission. If the document so referenced is a final official statement within the meaning of Rule 15c2-12, such final official statement must also be available from the MSRB. The State shall clearly identify each such other document so incorporated by cross-reference.

### SECTION 4. Reporting of Events.

(a) The State shall file or cause to be filed with the MSRB, in a timely manner not in excess of ten business days after the occurrence of the Event, notice of any of the Events listed below with respect to the Certificates:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, *if material*.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancement relating to the Certificates reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue

(IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events or events affecting the tax status of the Certificates.

7. Modifications to the rights of the security holders, *if material*.
8. Certificate calls (other than mandatory sinking fund redemption), *if material*, and tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the securities, *if material*.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the obligated person (as defined in Rule 15c2-12).
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, *if material*.
14. Appointment of a successor or additional trustee or the change of name of a trustee, *if material*.

(b) At any time when the Certificates are Outstanding and the State obtains knowledge of the occurrence of an Event, the State shall determine if any Event under subsection (a)(2)(7),(8, with respect to calls, but not tender offers), (10), (13) or (14) would constitute material information for Owners of Certificates.

(c) At any time the Certificates are outstanding, the State shall provide, in a timely manner after the occurrence thereof, to the MSRB, notice of any failure of the State to timely provide the Annual Financial Information as specified in Section 3 hereof.

SECTION 5. Format; Identifying Information. All documents provided to the MSRB pursuant to this Disclosure Certificate shall be in the format prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

As of the date of this Disclosure Certificate, all documents submitted to the MSRB must be in portable document format (PDF) files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. In addition, such PDF files must be word-searchable, provided that diagrams, images and other non-textual elements are not required to be word-searchable.

SECTION 6. Term. This Disclosure Certificate shall be in effect from and after the execution and delivery of the Certificates and shall extend to the earliest of (a) the date all principal and interest on the Certificates shall have been deemed paid pursuant to the terms of the Indenture; (b) the date that the

State shall no longer constitute an “obligated person” with respect to the Certificates within the meaning of Rule 15c2-12; and (c) the date on which those portions of Rule 15c2-12 which require this Disclosure Undertaking are determined to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Certificates, which determination shall be evidenced by an opinion of an attorney selected by the State, a copy of which opinion shall be given to the representative of the Participating Underwriters. The State shall file or cause to be filed a notice of any such termination with the MSRB.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the State may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is required or permitted by Rule 15c2-12. Written notice of any such amendment or waiver shall be provided by the State to the MSRB, and the Annual Financial Information shall explain the reasons for the amendment and the impact of any change in the type of information being provided.

SECTION 8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other annual information or notice of occurrence of an event which is not an Event, in addition to that which is required by this Disclosure Certificate; provided that the State shall not be required to do so. If the State chooses to include any annual information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Certificate, the State shall have no obligation under this Disclosure Certificate to update such information or include it in any future annual filing or notice of occurrence of an Event.

SECTION 9. Default and Enforcement. If the State fails to comply with any provision of this Disclosure Certificate, any Owner of the Certificates may take action to seek specific performance by court order to compel the State to comply with its undertaking in this Disclosure Certificate; provided that any Certificate Owner seeking to require the State to so comply shall first provide at least 30 days’ prior written notice to the State Treasurer of the State’s failure (giving reasonable details of such failure), following which notice the State shall have 30 days to comply and, provided further, that only the Owners of no less than a majority in aggregate principal amount of the Certificates may take action to seek specific performance in connection with a challenge to the adequacy of the information provided by the State in accordance with this Disclosure Certificate, after notice and opportunity to comply as provided herein, and such action shall be taken only in a court of jurisdiction in the State. A DEFAULT UNDER THIS DISCLOSURE CERTIFICATE SHALL NOT BE DEEMED AN EVENT OF DEFAULT UNDER THE INDENTURE OR THE CERTIFICATES, AND THE SOLE REMEDY UNDER THIS DISCLOSURE CERTIFICATE IN THE EVENT OF ANY FAILURE OF THE STATE TO COMPLY WITH THIS DISCLOSURE CERTIFICATE SHALL BE AN ACTION TO COMPEL PERFORMANCE.

SECTION 10. Beneficiaries. The Disclosure Certificate shall inure solely to the benefit of the State, the Participating Underwriters and Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Date: December 6, 2012

**STATE OF COLORADO,  
acting by and through the State Treasurer**

By: \_\_\_\_\_  
Walker R. Stapleton, Colorado State Treasurer

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**APPENDIX D**  
**FORM OF BOND COUNSEL OPINION**

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December 6, 2012

State of Colorado,  
acting by and through the State Treasurer  
Zions First National Bank, as Trustee  
RBC Capital Markets, LLC  
D.A. Davidson & Co.  
George K. Baum & Company  
Stifel, Nicolaus & Company, Incorporated

**\$195,965,000**  
**State of Colorado**  
**Building Excellent Schools Today Certificates of Participation**  
**Tax-Exempt Series 2012H**

Ladies and Gentlemen:

We have been engaged by the State of Colorado, acting by and through the State Treasurer (the “State”), to act as bond counsel in connection with the execution and delivery of the Building Excellent Schools Today Certificates of Participation Tax-Exempt Series 2012H (the “Series 2012H Certificates”). The Series 2012H Certificates are being executed and delivered pursuant to Building Excellent Schools Today Act, part 1, article 43.7, title 22, Colorado Revised Statutes, as amended; and the State of Colorado Building Excellent Schools Today Master Trust Indenture dated as of August 12, 2009, as supplemented by the State of Colorado Building Excellent Schools Today Series 2009A Supplemental Indenture dated as of August 12, 2009, the State of Colorado Building Excellent Schools Today Series 2010B-C Supplemental Indenture dated as of March 16, 2010, the State of Colorado Building Excellent Schools Today Series 2010D-F Supplemental Trust Indenture dated as of December 16, 2010, the State of Colorado Building Excellent Schools Today Series 2011G Supplemental Trust Indenture dated as of December 8, 2011, the State of Colorado Building Excellent Schools Today October 2012 Supplemental Trust Indenture dated as of October 31, 2012 and the State of Colorado Building Excellent Schools Today Series 2012H Supplemental Trust Indenture dated as of December 6, 2012 (collectively, the “Indenture”) by Zions First National Bank, as trustee thereunder (the “Trustee”). The Series 2012H Certificates evidence undivided interests in the right to certain payments by the State under the State of Colorado Building Excellent Schools Today Series 2012H Lease Purchase Agreement dated as of December 6, 2012 (the “2012H Lease”), the State of Colorado Building Excellent Schools Today Series 2011G Lease Purchase Agreement dated as of December 8, 2011 (the “2011G Lease”), the State of Colorado Building

Excellent Schools Today Series 2010D-F Lease Purchase Agreement dated as of December 16, 2010 (the "2010D-F Lease"), the State of Colorado Building Excellent Schools Today Series 2010B-C Lease Purchase Agreement dated as of March 16, 2010 (the "2010B-C Lease") and the State of Colorado Building Excellent Schools Today Series 2009A Lease Purchase Agreement dated as of September 12, 2009 (the "2009A Lease"; and, together with the 2012H Lease, the 2011G Lease, the 2010D-F Lease and the 2010B-C Lease, the "Leases") by and between the Trustee, as lessor, and the State, as lessee. Capitalized terms used but not defined herein have the meanings assigned to them in the Indenture.

We have examined the documents listed in the preceding paragraph, the 2012H Site Leases pursuant to which the 2012H Leased Property has been leased to the Trustee by the 2012H Site Lessors, the 2012H Subleases pursuant to which the 2012H Leased Property has been subleased to the 2012H Sublessees by the State and the Tax Compliance Certificates executed and delivered by the State and the 2012H Sublessees in connection with the execution and delivery of the Series 2012H Certificates; the Constitution and the laws of the State; the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations, rulings and judicial decisions relevant to the opinions set forth herein; and the proceedings, certificates, documents, opinions and other papers delivered in connection with the execution and delivery of the Series 2012H Certificates. As to questions of fact material to our opinion, we have relied upon the representations and certifications set forth in the items examined, without undertaking to verify the same by independent investigation. We have assumed the due authorization, execution and delivery by the Trustee and the enforceability against the Trustee of the Leases, the Indenture and the Series 2012H Certificates, the due authorization, execution and delivery by each 2012H Site Lessor and the enforceability against each 2012H Site Lessor of its 2012H Site Lease, the due authorization, execution and delivery by each 2012H Sublessee and the enforceability against each 2012H Sublessee of its 2012H Sublease and the due authorization, execution and delivery by each 2012H Sublessee of its Tax Compliance Certificate; have relied upon, and assumed the correctness of the legal conclusions stated in, the opinion delivered by the Attorney General of the State in connection with the execution and delivery of the Series 2012H Certificates with respect to the authorization, execution and delivery of the Leases, the 2012H Subleases and the State's Tax Compliance Certificate by the State, the enforceability of the 2012H Subleases and the State's Tax Compliance Certificate against the State (but not the enforceability of the 2012H Lease) and other matters; and have assumed that the State, the Trustee, the 2012H Site Lessors, the 2012H Sublessees and other parties will comply with, and perform their obligations in accordance with, the Leases, the Indenture, the 2012H Site Leases, the 2012H Subleases and the Tax Compliance Certificates of the State and the 2012H Sublessees.

Based upon the foregoing, we are of the opinion, as of the date hereof and under existing law, that:

1. The State has the power to enter into and perform its obligations under the 2012H Lease.

2. The 2012H Lease has been duly authorized, executed and delivered by the State and is a legal, valid and binding obligation of the State enforceable against the State in accordance with its terms.

3. The Series 2012H Certificates evidence legal, valid and binding undivided interests in the right to certain payments, as provided in the Series 2012H Certificates and the Indenture, from Base Rent payable by the State under the Leases as provided in the Leases.

4. Under existing laws, regulations, rulings and judicial decisions, the portion of the Base Rent paid by the State which is designated and paid as interest on the Series 2012H Certificates is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence assume compliance by the State and the 2012H Sublessees with certain covenants relating to requirements of the Code that must be met subsequent to the delivery of the Series 2012H Certificates. Failure to comply with such requirements could cause such interest to be included in gross income for federal income tax purposes, retroactive to the date of delivery of the Series 2012H Certificates. We express no opinion regarding (a) the effect of any termination of the State's obligations under the Leases, under certain circumstances as provided in the Leases, upon the treatment for federal income tax purposes of any moneys received by the Owners of the Series 2012H Certificates; or (b) any other federal tax consequences related to the ownership or disposition of the Series 2012H Certificates. We note, however, that the portion of the Base Rent paid by the State which is designated and paid as interest on the Series 2012H Certificates is taken into account in determining adjusted current earnings for purposes of the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes).

5. Under existing State of Colorado statutes, the interest received by the Owners of the Series 2012H Certificates with respect to their undivided interests in the Base Rent that is designated and paid as interest under the Leases is exempt from State of Colorado income tax. We express no opinion regarding (i) the effect of any termination of the State's obligations under the Leases on interest received or income of the Owners of the Series 2012H Certificates subsequent to such termination; or (ii) any other tax consequences related to the ownership or disposition of Series 2012H Certificates under the laws of the State of Colorado or any other state or jurisdiction.

The rights of the Owners of the Series 2012H Certificates and the enforceability of the Series 2012H Certificates and the 2012H Lease may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise of judicial discretion, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

This opinion is limited to the matters specifically set forth herein and we offer no other opinion or advice as to any other aspect of the transaction generally described herein. In particular, but without limitation, we offer no opinion or advice as to the enforceability of the Site Leases, the Leases, the Indenture or the Series 2012H Certificates against the Trustee; the enforceability of the 2012H Site Leases against the 2012H Site Lessors; the enforceability of the 2012H Subleases against the State or the 2012H Sublessees; the creditworthiness or financial condition of the State, the Trustee or any other person; the accuracy or completeness of the statements made in connection with the offer and sale of the Series 2012H Certificates; or the ability of the State to use moneys from any particular source for the purpose of making payments under the Leases.

This opinion is solely for the benefit of the addressees in connection with the original delivery of the Series 2012H Certificates and may not be relied upon by any other person or for any other purpose without our express written consent.

This opinion is based solely on the Constitution and laws of the State, the provisions of the Code and the regulations, rulings and judicial decisions relevant to the opinions set forth herein, the other items described in the second paragraph hereof and the assumptions set forth herein. The opinions set forth herein may be affected by changes in the items described in the second paragraph hereof and actions taken or omitted or events occurring after the date hereof. This opinion speaks only as of its date and our engagement with respect to the Series 2012H Certificates has concluded with the delivery of this opinion. We have no obligation to update this opinion or to inform any person about any changes in the items described in the second paragraph hereof, any actions taken or omitted or events occurring after the date hereof or any other matters that may come to our attention after the date hereof.

Respectfully submitted,

**APPENDIX E**  
**The State General Fund**

**General Fund Overview**

The General Fund is the principal operating fund of the State. All revenues and moneys not required by the State Constitution or statutes to be credited and paid into a special fund are required to be credited and paid into the General Fund.

The following table summarizes the actual revenues, expenditures and changes in fund balances for the General Fund for Fiscal Year 2007-08 through Fiscal Year 2011-12 and the forecasts for Fiscal Years 2012-13 and 2013-14 from the OSPB September 2012 Revenue Forecast. The overview incorporates the budget under current law for Fiscal Year 2012-13. See “FORWARD-LOOKING STATEMENTS.”

The format of the following table is used by the State in developing its annual budget, as discussed in “STATE FINANCIAL INFORMATION – Budget Process and Other Considerations.” See also “FORWARD-LOOKING STATEMENTS.”

**State of Colorado**  
**General Fund Overview**  
**Fiscal Years 2007-08 Through 2013-14**  
(Dollar amounts expressed in millions; totals may Not Add Due To Rounding)

	Fiscal Year 2007-08	Actual (Unaudited)(1) Fiscal Year			Fiscal Year 2011-12	OSPB Forecast Fiscal Year	
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
<b>REVENUE:</b>							
Beginning Reserve	\$ 267.0	\$ 283.5	\$ 443.3	\$ 137.4	\$ 156.7	\$ 804.4	\$ 297.5
Gross General Fund Revenue	7,742.9	6,742.7	6,457.7	7,085.0	7,736.9	7,955.7	8,147.1
Diversion to the Highway Users Tax Fund(2)	(238.1)	--	--	--	--	--	--
Net Transfers to (from) the General Fund(3)	(5.0)	813.3	(47.6)	150.1	138.0	(2.5)	0.6
<b>TOTAL GENERAL FUND REVENUE AVAILABLE FOR EXPENDITURE</b>	<b>7,766.9</b>	<b>7,839.5</b>	<b>6,853.5</b>	<b>7,372.5</b>	<b>8,031.6</b>	<b>8,757.6</b>	<b>8,445.2</b>
<b>EXPENDITURES:</b>							
Appropriations Subject to Limit(4)	7,087.8	7,387.1	6,631.6	6,811.1	7,027.8	7,438.1	7,809.4
<i>Appropriations Change From Prior Year</i>	412.3	299.3	(755.5)	179.5	216.7	410.3	371.4
<i>Percent Change</i>	6.2%	4.2%	(10.2)%	2.7%	3.2%	5.8%	5.0%
Exemptions to the Appropriations Limit(5)	31.9	12.2	--	9.9	--	--	--
Spending Outside the Appropriations Limit	320.2	210.6	84.5	139.0	184.3	304.8	323.4
<i>TABOR Refund</i>	--	--	--	--	--	--	--
<i>Rebates and Expenditures(6)</i>	173.8	136.0	141.9	126.0	133.2	146.3	154.0
<i>Homestead Exemption(7)</i>	79.8	85.6	1.3	1.6	1.8	97.6	105.2
<i>Transfer to Capital Construction Fund</i>	93.7	24.9	0.2	12.0	49.3	61.0	64.1
<i>Reversions and Accounting Adjustments</i>	(27.1)	(36.0)	(56.2)	(38.6)	(43.9)	0	0
Enhanced Medicaid Match (Reduces General Fund Expenditures)(8)	--	(223.9)	(2.7)	(0.5)	--	--	--
<b>TOTAL GENERAL FUND OBLIGATIONS</b>	<b>7,439.9</b>	<b>7,395.8</b>	<b>6,716.0</b>	<b>6,921.4</b>	<b>7,168.2</b>	<b>7,742.9</b>	<b>8,132.8</b>
<b>RESERVES</b>							
Year-End General Fund Balance	327.0	443.8	137.4	451.1	863.4	1,014.7	312.4
<i>Year-End Excess General Fund Balance as a Percent of Appropriations</i>	4.6%	2.0%	2.1%	6.6%	12.3%	13.6%	4.0%
General Fund Statutory Reserve(9)	283.5	148.2	132.6	156.7	281.1	297.5	312.4
Excess Moneys Above (Below) Unappropriated Reserve	43.4	295.5	4.8	294.4 <sup>(10)</sup>	582.3	717.1	0
<i>Transfer to Highway Users Tax Fund (2/3)</i>	29.0	--	--	--	--	--	--
<i>Transfer to Capital Construction Fund (1/3)</i>	14.5	--	--	--	--	--	--
Note: Deposit to the State Education Fund(10)(11)	407.9	339.9	329.0	597.4	638.5	476.5	1,142.4

[Notes on the next page]

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- (1) This table is unaudited, although some of the figures reported in these columns are identified by the OSPB from the State's CAFRs which are audited for the applicable Fiscal Years.
  - (2) For Fiscal Year 2007-08, a portion of net sales and use tax revenues was required to be diverted to the Highway Users Tax Fund if General Fund revenues are sufficient to fund appropriations and maintain the Unappropriated Reserve. This requirement was repealed by SB 09-228 beginning with Fiscal Year 2009-10 and for all subsequent years.
  - (3) This figure represents the total net transfers to or from the General Fund, including statutorily required transfers into the General Fund from various cash funds.
  - (4) Per SB 09-228 for Fiscal Year 2009-10, this appropriation limit was revised from the lesser of (i) 5% of Colorado Personal Income as reported by the U.S. Bureau of Economic Analysis or (ii) 6% growth applied to appropriated amounts from the General Fund during the prior Fiscal Year, to just 5% of Colorado Personal Income.
  - (5) In Fiscal Years 2007-08, 2008-09 and 2010-2011, totals of \$31.9 million, \$12.2 million and \$9.9 million, respectively, are not subject to the appropriations limit pursuant to Section 24-75-201.1(1)(a)(III)(B), C.R.S., but are used as the base for calculating the following year's appropriations limit. See "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – *Expenditures, The Balanced Budget and Statutory Spending Limitation.*" Spending by the Medicaid program that is above the appropriated amount, called "Medicaid Overexpenditures," is usually the largest amount for this line.
  - (6) This generally includes the Cigarette Rebate, Old Age Pension Fund, Property Tax, Heat and Rent Credit and Fire and Police Pensions.
  - (7) The senior Homestead Exemption property tax credit was suspended (except for an exemption for qualified disabled veterans) for Fiscal Year 2009-10 through Fiscal Year 2011-12.
  - (8) The table reflects the infusion of federal stimulus funding for Federal Medical Assistance Percentage in Fiscal Years 2008-09 through Fiscal Year 2010-11. For Fiscal Years 2009-10 and 2010-11, General Fund expenditure offsets due to FMAP are predominantly included in the "General Fund Appropriations Subject to the Appropriations Limit" line item.
  - (9) Per SB 09-219 and SB 09-277, the Unappropriated Reserve required by Section 24-75-201.1, C.R.S., was lowered from 4.0% to 2.0% for Fiscal Year 2008-09 and 2009-10, and per SB 11-156, the Unappropriated Reserve requirement is 2.3% for Fiscal Year 2010-11. The Unappropriated Reserve requirement reverted to 4.0% beginning in Fiscal Year 2011-12. Current law requires the reserve to increase to 4.5% when personal income is projected to increase by more than 5%. This is not projected to occur until 2014, which would trigger the reserve increase in Fiscal Year 2015-16. The reserve is further required to increase by 0.5 percentage points each year thereafter until it reaches 6.5% of appropriations.
  - (10) Per SB 11-156, for Fiscal Year 2010-11, any surplus above the 2.3% Unappropriated Reserve requirement was credited to the State Education Fund, and per SB 11-230, for Fiscal Year 2010-11, the amount by which the estimate of Fiscal Year 2010-11 General Fund revenue forecast in the OSPB June 2011 Revenue Forecast exceeded the amount forecast by OSPB in its March 2011 revenue forecast, up to \$67.5 million, was transferred to the State Public School Fund; the balance of \$221.4 million was credited to the State Education Fund. Per HB 12-1338, \$59.0 million of the Fiscal Year 2011-12 excess amount and all of the Fiscal Year 2012-13 excess amount is transferred to the State Education Fund. After the \$59 million transfer, the remaining amount of the Fiscal Year 2011-12 surplus is carried forward and becomes part of the beginning Fiscal Year 2012-13 balance. See "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – *Revenues and Unappropriated Amounts.*"
  - (11) Amendment 23 mandates that, effective January 1, 2001, an amount equal to all State revenues collected from a tax of one-third of one percent on federal taxable income, as modified by law, of every individual estate, trust and corporation, as defined by law, is to be deposited to the State Education Fund. See also Note 13 above. In Fiscal year 2011-12, the State Education Fund will also receive approximately \$9.6 million from the tax amnesty program created by SB 11-184. In Fiscal Year 2012-13, the fund receives \$59 million of the Fiscal Year 2011-12 excess reserves. For Fiscal Year 2013-14, under current law it receives all of the Fiscal Year 2012-13 excess reserves, or a projected \$717.1 million.

Source: Office of State Planning and Budgeting

## Discussion of Recent General Fund Operations

The following is a discussion of the General Fund revenues for the past five Fiscal Years. The amount of General Fund revenues received in prior years is not necessarily indicative of the amount of revenues to be expected for any future Fiscal Years. All figures are approximate unless otherwise stated. See also "General Fund Revenue Sources" below.

***Fiscal Year 2011-12 (Preliminary Unaudited).*** The following information is taken from the OSPB September 2012 Revenue Forecast and was based on unaudited preliminary figures.

General Fund revenues increased by 9.2% in Fiscal year 2011-12 compared to an increase of 9.7% in Fiscal Year 2010-11. In Fiscal Year 2011-12, sales and use tax revenues increased by 2.4% compared to an increase of 12.8% in Fiscal Year 2010-11. Corporate and individual income tax collections increased 12.5% compared to an increase of 9.7% in Fiscal Year 2010-11. Other excise tax revenues increased 4.9% compared to a decrease of 3.1% in Fiscal Year 2010-11. Other revenues increased 5.7% in Fiscal Year 2011-12 compared to a decrease of 5.6% in Fiscal Year 2010-11. Total funds available for expenditure in Fiscal Year 2011-12 (which excludes the amount deposited into the State Education Fund and includes beginning General Fund Surplus and amounts transferred into the General Fund) were \$8,031.6 million and total obligations were \$7,168.2 million. In accordance with Amendment 23 and other State laws, \$638.5 million was credited to the State Education Fund. The Unappropriated Reserve was \$281.1 million. As permitted by SB 09-277, the Unappropriated Reserve was 4.0% of Fiscal Year appropriations.

***Fiscal Year 2010-11.*** General Fund revenues increased by 9.7% in Fiscal Year 2010-11 compared to a decline of 4.2% in Fiscal Year 2009-10. In Fiscal Year 2010-11, sales and use tax revenues increased by 12.8% compared to a decrease of 6.0% in Fiscal Year 2009-10. Other excise tax revenues decreased 3.1% compared to an increase of 0.9% in Fiscal Year 2009-10. Corporate and individual income tax collections increased 9.7% compared to a decrease of 3.7% in Fiscal Year 2009-10. Other revenues declined 6.3% in Fiscal Year 2010-11 compared to an increase of 0.1% in Fiscal Year 2009-10. Total funds available for expenditure in Fiscal Year 2010-11 (which excludes the amount deposited into the State Education Fund and includes beginning General Fund Surplus and amounts transferred into the General Fund) were \$7,381.2 million and total obligations were \$6,935.7 million. In accordance with Amendment 23, \$370.5 million was credited to the State Education Fund. The Unappropriated Reserve was \$156.7 million. As permitted by SB 09-277, the Unappropriated Reserve was 2.3% of Fiscal Year appropriations.

***Fiscal Year 2009-10.*** General Fund revenues declined by 4.2% in Fiscal Year 2009-10 compared to a decline of 12.9% in Fiscal Year 2008-09. In Fiscal Year 2009-10, sales and use tax revenues decreased by 6.0% compared to a decrease of 9.1% in Fiscal Year 2008-09. Other excise tax revenues increased 0.9% compared to a decline of 1.7% in Fiscal Year 2008-09. Corporate and individual income tax collections decreased 3.7% compared to a decrease of 15.6% in Fiscal Year 2008-09. Other revenues increased 0.1% in Fiscal Year 2009-10 compared to a decline of 0.2% in Fiscal Year 2008-09. Total funds available for expenditure in Fiscal Year 2009-10 (which excludes the amount deposited into the State Education Fund) were \$6,853.5 million and total obligations were \$6,716.0 million. In accordance with Amendment 23, \$329.0 million was credited to the State Education Fund. The General Funds statutory reserve was \$132.6 million. As permitted by SB 09-277, the Unappropriated Reserve was lowered to 2.0% of Fiscal Year appropriations.

***Fiscal Year 2008-09.*** General Fund revenues decreased by 12.9% in Fiscal Year 2008-09 compared to an increase of 2.7% in Fiscal Year 2007-08. In Fiscal Year 2008-09, sales and use tax revenue decreased by 9.1% compared to an increase of 4.9% in Fiscal Year 2007-08. Other excise tax

revenue declined 1.7% compared to a decline of 0.7% in Fiscal Year 2007-08. Corporate and individual income tax collections decreased 15.6% in Fiscal Year 2008-09 compared to an increase of 2.1% in Fiscal Year 2007-08. Other revenues declined 2.2% in Fiscal Year 2008-09 compared to a decline of 1.7% in Fiscal Year 2007-08. Total funds available for expenditure in Fiscal Year 2008-09 (which excludes the amount deposited into the State Education Fund) were \$7,826.3 million and total obligations were \$7,386.3 million. In accordance with Amendment 23, \$339.9 million was credited to the State Education Fund. The General Fund statutory reserve was \$148.2 million. Per SB 09-277, the Unappropriated Reserve was lowered to 2.0% of Fiscal Year appropriations.

**Fiscal Year 2007-08.** General Fund revenues increased by 2.7% in Fiscal Year 2007-08 compared to an increase of 8.3% in Fiscal Year 2006-07. In Fiscal Year 2007-08, sales and use tax revenues increased by 4.9% compared to an increase of 4.1% in Fiscal Year 2006-07. Other excise tax revenue declined by 0.7% in Fiscal Year 2007-08 compared to an increase of 2.0% in Fiscal Year 2006-07. Corporate and individual income tax collections increased by 2.1% in Fiscal Year 2007-08 compared to an increase of 11.3% in Fiscal Year 2006-07. Other revenues declined by 1.7% in Fiscal Year 2007-08 compared to a decline of 7.2% in Fiscal Year 2006-07. Total available funds for Fiscal Year 2007-08 (which excludes the amount deposited into the State Education Fund) were \$7,766.9 million and total obligations were \$7,439.9 million. In accordance with Amendment 23, \$407.9 million was transferred to the State Education Fund, and in accordance with SB 97-1, \$238.1 million was transferred to the Highway Users Tax Fund. The General Fund year-end reserve was \$327.0 million, which was allocated as follows: \$283.5 million constituted the statutorily required Unappropriated Reserve for that Fiscal Year, and in accordance with HB 02-1310, two-thirds of the amount in excess of the 4% Unappropriated Reserve (\$29.0 million) was transferred to the Highway Users Tax Fund and one-third of such excess (\$14.5 million) was transferred to the Capital Construction Fund.

## **General Fund Revenue Sources**

The following is a description of the revenue sources to the General Fund. The major revenue sources are the individual income tax, the general sales and use tax and the corporate income tax. In Fiscal Year 2011-12, individual and corporate income taxes (after the State Education Fund diversion) comprised approximately 65.8% of total General Fund revenues, and general sales and use taxes contributed approximately 29.6% of total General Fund revenues. The OSPB forecasts that gross General Fund revenue will grow at a compound average annual rate of 3.0% between Fiscal Year 2011-12 and Fiscal Year 2014-15.

**Individual Income Tax.** The largest source of General Fund revenues is receipts generated by the individual income tax. Individual income tax revenues comprised 61.5% of total General Fund revenues in Fiscal Year 2011-12, and are forecast by the OSPB to comprise 61.0% of total General Fund revenues in Fiscal Year 2012-13 and 60.0% of total General Fund revenues in Fiscal Year 2013-14 (in all three cases before State Education Fund diversion). Individual income tax revenues increased by 2.1% in Fiscal Year 2007-08, followed by a decrease of 12.9% in Fiscal Year 2008-09, a decrease of 5.8% in Fiscal Year 2009-10, an increase of 10.1% in Fiscal Year 2010-11 and an increase of 11.5% in Fiscal Year 2011-12. The OSPB forecasts that individual income tax revenues will increase by 2.0% and 0.8% in Fiscal Year 2012-13 and 2013-14, respectively.

**Corporate Income Tax.** Corporate income tax revenues accounted for 6.0% of total General Fund revenues in Fiscal Year 2011-12, and are forecast by the OSPB to comprise 6.3% of total General Fund revenues in Fiscal Year 2012-13 and 6.6% of total General Fund revenues in Fiscal Year 2013-14. Corporate tax receipts are the most volatile revenue source for the General Fund. Corporate income tax receipts increased 2.0% in Fiscal Year 2007-08, followed by a decrease of 42.4% in Fiscal Year 2008-09, an increase of 27.2% in Fiscal Year 2009-10, an increase of 5.9% in Fiscal Year 2010-11 and an increase

of 24.0% in Fiscal Year 2011-12. The OSPB forecasts that corporate income tax revenues will increase by 7.1% and 7.7% in Fiscal Years 2012-13 and 2013-14, respectively.

***Sales and Use Taxes.*** Sales and use tax receipts accounted for 28.2% of General Fund revenue in Fiscal Year 2011-12, and are forecast by the OSPB to comprise 28.0% of total General Fund revenues in Fiscal Year 2012-13 and 28.1% of total General Fund revenues in Fiscal Year 2013-14. Sales and use tax revenues increased 4.9% in Fiscal Year 2007-08, followed by decreases of 9.1% and 6.0% in Fiscal Year 2008-09 and Fiscal Year 2009-10, respectively, and increases of 12.8% and 2.6% in Fiscal Year 2010-11 and in Fiscal Year 2011-12, respectively. The OSPB forecasts that sales and use tax revenues will increase by 2.0% and 3.0% in Fiscal Years 2012-13 and 2013-14, respectively.

***Other Excise Taxes.*** In addition to the State sales and use tax, the State imposes excise taxes on the sale of cigarettes, tobacco products and liquor. These other excise tax receipts accounted for \_\_\_% of General Fund revenue in Fiscal Year 2011-12, and are forecast by the OSPB to comprise \_\_\_% of total General Fund revenues in Fiscal Year 2012-13. Other excise tax revenues decreased 0.7% in Fiscal Year 2007-08, decreased 1.9% in Fiscal Year 2008-09, increased 0.9% in Fiscal Year 2009-10, decreased 3.1% in Fiscal Year 2010-11 and an increase of 4.9% in Fiscal Year 2011-12. The OSPB forecasts that other excise tax receipts will decrease 1.0% in Fiscal Year 2012-13 and decrease 0.8% in Fiscal Year 2013-14.

***Other Revenues.*** This category includes a diverse group of revenues such as estate taxes, insurance taxes, pari-mutuel taxes, interest income, court receipts, gaming taxes, and other income, and as a group are relatively volatile. Other revenues accounted for 3.3% of total General Fund revenues in Fiscal Year 2011-12, and are forecast by the OSPB to comprise 3.9% of total General Fund revenues in Fiscal Year 2013-14, and 4.4% of total General Fund revenues in Fiscal Year 2012-13. As a whole, revenues in this category declined 1.7% in Fiscal Year 2007-08, and 0.2% in Fiscal Year 2008-09, followed by an increase of 0.1% in Fiscal Year 2009-10, a decrease of 5.6% in Fiscal Year 2010-11 and an increase of 5.7% in Fiscal Year 2011-12. The OSPB forecasts that other revenues will increase by 19.5% and 16.0% in Fiscal Years 2012-13 and 2013-14, respectively. The large percentage increase in these years is mostly due to the scheduled resumption of estate tax revenues to the State resulting from federal tax law changes.

***Historical and Projected Major Tax Receipts.*** The following table sets forth the State's receipts from major taxes for the past five Fiscal Years, as well as current OSPB estimates for Fiscal Years 2012-13 and 2013-14. See also "OSPB Revenue and Economic Forecasts" below and "FORWARD LOOKING STATEMENTS" in the body of this Official Statement.

**State of Colorado**  
**Receipts from Major Taxes**  
(Dollar amounts expressed in millions)

	Actual					OSPB Estimate <sup>(1)</sup>	
	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal 2013-14
Individual Income Tax	\$4,973.7	\$4,333.3	\$4,083.8	\$4,496.1	\$5,011.7	\$5,109.7	\$5,149.6
Change from Prior Year	2.1%	(12.9)%	(5.8%)	10.1%	11.5%	2.0%	0.8%
Corporate Income Tax	\$507.9	\$292.5	\$372.1	\$393.9	\$488.3	\$523.2	\$563.4
Change from Prior Year	2.0%	(42.4)%	27.2%	5.9%	24.0%	7.1%	7.7%
Sales and Use Tax	\$2,317.9	\$2,107.8	\$1,980.7	\$2,233.5	\$2,293.5	\$2,340.3	\$2,410.8
Change from Prior Year	4.9%	(9.1)%	(6.0)%	12.8%	2.7%	2.0%	3.0%
Other Excise Taxes	\$93.3	\$91.6	\$92.4	\$89.5	\$93.9	\$92.9	\$92.2
Change from Prior Year	(0.7)%	(1.9)%	0.9%	(3.1)%	4.9%	(1.0)%	(0.8)%
Other Revenues	\$258.1	\$257.4	\$257.9	\$243.2	\$257.0	\$307.1	\$356.3
Change from Prior Year	(1.7)%	(0.2)%	0.2%	(5.7)%	5.7%	19.5%	16.0%

(1) OSPB September 2012 Revenue Forecast.

Source: Office of State Planning and Budgeting

## Revenue Estimation

**Revenue Estimating Process.** The State relies on revenue estimation as the basis for establishing aggregate funds available for expenditure for its appropriation process. By statute, the OSPB is responsible for developing a General Fund revenue estimate. The General Assembly is required to certify to the Controller by February 1<sup>st</sup> of each year the revenue estimate for the next Fiscal Year, taking into consideration the estimates of the OSPB and the staff of the Colorado Legislative Council. No later than June 20<sup>th</sup> prior to the beginning of each Fiscal Year, and no later than September 20<sup>th</sup>, December 20<sup>th</sup> and March 20<sup>th</sup> within each Fiscal Year, and the OSPB, is required to make an estimate of General Fund revenues for the current and certain future years. The revenue estimates are not binding on the General Assembly in determining the amount of General Fund revenues available for appropriation for the ensuing Fiscal Year. The revenue estimates may be subject to more frequent review and adjustment in response to significant changes in economic conditions, policy decisions and actual revenue flow.

The OSPB begins estimating revenue by obtaining macroeconomic forecasts for national and State variables. The national forecast was provided by Moody's Economy.com for the OSPB September 2012 Revenue Forecast. The OSPB forecasts the State economy using a model originally developed partly in-house and partly by consultants to the State.

The model of the State economy is updated quarterly. This model is comprised of numerous dynamic regression equations and identities. Moody's Economy.com's forecasts for national variables are inputs to many of the Colorado equations. The model of the State economy generates forecasts of key indicators such as employment, retail sales, inflation and personal income. These forecasts are then used as inputs to revenue forecasts for income tax receipts, corporate collections, sales tax receipts, etc.

The econometric model used to forecast General Fund revenue relies on the economic data estimated using the model of the State economy discussed above. The models used for forecasting General Fund revenues incorporate changes in policy, both State and federal, as well as changes in the economic climate and historical patterns. The General Fund models are comprised of regression equations for many of the revenue categories. There are three main categories of tax revenues: excise tax receipts, income tax receipts and other tax receipts. The General Fund models forecast the majority of the categories of General Fund receipts separately. For example, the model forecasts each type of income tax receipt (withholding, estimated payments, cash with returns and refunds) individually and then aggregates the numbers to arrive at a net individual income tax receipts forecast. However, for corporate income tax receipts and sales tax collections, the model forecasts only the aggregate amount for these revenues. For many of the smaller tax revenue categories, simple trend analyses are generally utilized to derive a forecast.

**Revenue Shortfalls.** The State's Fiscal Year budgets are prepared and surplus revenues are determined using the modified accrual basis of accounting in accordance with the standards promulgated by the Governmental Accounting Standards Board ("GASB"), with certain statutory exceptions. As a result, although the Fiscal Year budgets are balanced and, based upon current forecasts, there is anticipated to be an Unappropriated Reserve, the State may experience temporary and cumulative cash shortfalls. This is caused by differences in the timing of the actual receipt of cash revenues and payment of cash expenditures by the State compared to the inclusion of such revenues and expenditures in the State's Fiscal Year budgets on an accrual basis, which does not take into account the timing of when such amounts are received or paid. Also, prior forecasts of General Fund revenue may have overestimated the amount the State would receive for the Fiscal Year.

Whenever the Governor's revenue estimate for the current Fiscal Year indicates that General Fund expenditures for such Fiscal Year, based on appropriations then in effect, will result in the use of

one-half or more of the Unappropriated Reserve, the Governor is required to formulate a plan for the General Fund expenditures so that the Unappropriated Reserve as of the close of the Fiscal Year will be at least one-half of the required amount. The Governor is required by statute to notify the General Assembly of the plan and to promptly implement it by: (i) issuing an executive order to suspend or discontinue, in whole or in part, the functions or services of any department, board, bureau or agency of the State government; (ii) approving the action of other State officials to require that heads of departments set aside reserves out of the total amount appropriated or available (except the cash funds of the Department of Education); or (iii) after a finding of a fiscal emergency by a joint resolution of the General Assembly approved by the Governor, taking such actions necessary to be utilized by each principal department and institution of higher education to reduce State personnel expenditures.

The next OSPB revenue forecast will be released on December 20, 2012. General Fund revenue projections in the new forecast may be materially different from the OSPB September 2012 Revenue Forecast and may project a larger revenue shortfall or a revenue surplus if economic conditions change markedly. Due to the volatility in the State and national economies, OSPB's forecasts of General Fund revenues over the last several years have fluctuated from forecast to forecast, and in some cases have been significantly lower or higher than the immediately preceding forecast, such volatility may be reflected in the December 2012 forecast. If a revenue shortfall is projected for Fiscal Year 2012-13 and subsequent forecasted years, which would result in a budgetary shortfall, budget cuts and/or General Fund enhancements will be necessary to ensure a balanced budget.

### **OSPB Revenue and Economic Forecasts**

The OSPB prepares quarterly revenue estimates and is currently forecasting for Fiscal Year 2012-13 through Fiscal Year 2014-15. The forecasts are based on historical patterns, with economic and legislative changes explicitly included in the models that forecast revenue growth, and include both State and national economic forecasts. The most recent OSPB Revenue Forecast was issued on September 20, 2012, and is summarized below.

*Prospective investors are cautioned that any forecast is subject to uncertainties, and inevitably some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasted and actual results, and such differences may be material. No representation or guaranty is made herein as to the accuracy of the forecasts. See also "FORWARD-LOOKING STATEMENTS."*

**Revenue Forecast.** Fiscal Year 2012-13 General Fund appropriations subject to limitation under 24-75-201.1, C.R.S. are \$7,438.1 million, an increase of 5.8% over final Fiscal Year 2011-12 appropriations of \$7,027.8 million. Total General Fund revenues available for expenditure (which includes beginning reserves, revenues and the net incoming and outgoing transfers) are projected to exceed total General Fund obligations (which includes appropriations that are subject to the statutory limit plus expenditures that are exempt from the limit, adjustments to appropriations and authorized spending outside of the limit) and result in a year end fund balance of \$1,014.7 million and reserves of \$717.1 million above the current 4.0% Unappropriated Reserve requirement. Per HB 12-1338, all of the Fiscal Year 2012-13 excess reserves are required to be transferred to the State Education Fund.

No budget has been adopted yet for Fiscal Year 2013-14. The Governor will release a Fiscal Year 2013-14 budget request on November 1, 2012. Under the September 2012 forecast and current law Fiscal Year 2012-13 budget General Fund appropriations subject to limitation under Section 24-75-201.1, C.R.S. can grow 5.0% to \$7,809.4 million in Fiscal Year 2013-14, while maintaining the required 4.0% reserve amount. This figure is subject to change based on updates to the revenue forecast and future budget actions.

See also “General Fund Overview above.

***Economic Forecast.*** OSPB’s assessment of the economy and its future path remain essentially unchanged from recent forecasts. Recent national data on jobs, business spending, exports, and manufacturing show that the economy has slowed from earlier in the year. The global economy is also slowing. Due to these trends and the persistent factors weighing on growth, OSPB expects the slowdown, though not significant, to continue into 2013. Colorado is enduring the same challenges as the nation. However, economic indicators continue to show that the State has been building a better economic foundation and is outperforming many other States.

Several uncertainties and risks remain which make gauging the future performance of the economy especially challenging. The ongoing European economic and financial distress as well as the nation’s possible impending federal tax increases and spending cuts are downside risks. Because Colorado has a large concentration of aerospace and defense workers, the State may be impacted more than many other States from federal defense cuts. Higher oil and food prices, which are facing upward pressure due to tensions in the Middle East and the nationwide drought, are also risks.

There is also the potential that the economy will perform better than forecast. A more satisfactory resolution of Europe’s challenges and an agreement on federal fiscal issues will reduce uncertainty and help bolster the economy. Further, the Federal Reserve’s recent significant shift in policy could boost growth. The policy includes a new open-ended asset buying program and guidance that monetary policy will remain accommodative even after the recovery strengthens. These policies could bolster the economy through raising expectations for growth, thus spurring more economic activity and money circulating in the economy. Also, improvement in the housing market, which traditionally helps economies recover from downturns, is a positive trend that could boost growth more than expected.

***Overall Economic Conditions.*** Though the economy continues to grow as individuals and businesses strive to rebuild and improve their livelihoods, activity remains only modest. The economy has yet to overcome the legacies of the dramatic downturn and financial crisis that began in 2008. The restructuring process from the dislocations of the credit and housing boom and bust will continue to take time.

A full recovery continues to be hindered by several factors, such as household balance sheet repair, labor market restructuring, and higher levels of uncertainty regarding future economic activity. Many businesses and households are holding back on spending, investing, and hiring decisions. The rate at which money is being exchanged in the economy – called the “velocity” of money – which helps generate income, is at a 50-year low.

The global economy is highly connected, and conditions in other parts of world impact the nation and State. Many of the world’s largest economies continue to be weak. A recent index measuring manufacturing activity indicates that 80% of the world’s manufacturing is in contraction.

In a particularly ominous sign, economies in the Euro Area and Asia continue to slow. These two regions represent a significant portion of the world’s overall economic output. In addition, although recent signs point to some improvement in Brazil and the United Kingdom – the sixth and seventh largest economies in the world, respectively – they remain below their trend levels of growth.

A strong rebound in manufacturing over the past few years has helped boost overall economic activity for the nation. This is the case because manufacturing generates a significant amount of economic activity in other sectors of the economy. It spurs the creation of jobs and spending across the economy because the entire manufacturing process is highly complex with many inputs. In addition, the

manufacturing industry is highly innovative, which leads to income and economic growth as the industry continually becomes more productive and creates products that the market needs and wants.

Unfortunately, manufacturing has been slowing over the past several months. The Institute for Supply Management (“ISM”) Manufacturing Purchasing Managers Index (“PMI”), based on a survey of businesses in the production of goods sector, was 49.6 in August, the third month in a row below 50, which indicates contraction. One of the industries reporting contraction was computer and electronic product manufacturing, Colorado’s largest manufacturing industry. A representative from the industry stated in the national ISM August survey that, “business is slow right now. Companies seem to be holding onto their money.” It is likely that the manufacturing sector will continue to be more sluggish over the coming months due to the weak global economy. Further, a combination of rising inventories of manufacturers and slowing in new orders will result in less manufacturing activity.

The ISM Non-manufacturing Businesses Activity Index was 55.6 in August 2012, down slightly from July. This is a positive sign for Colorado’s economy as the State has a more services-intensive economy than the nation as a whole. Colorado is a regional hub for professional, scientific, and technical services, such as engineering, accounting, legal services, and consulting. This sector continued to report growth at the national level in the August survey. Despite reflecting overall growth, the survey in general continued to reflect uncertainty about business conditions and the economy.

Colorado business conditions continue to outperform the nation, but the State is not immune from the uncertainty facing businesses across the nation. Since the economic downturn, Colorado has been building a stronger economic foundation, which has resulted in better economic growth than many other States. This process has been aided by Colorado’s entrepreneurial and talented population and its culture of collaboration and innovation. Further, Colorado has a solid presence of industries that trade their goods and services outside of the State and nation. This subjects Colorado companies to more competition that requires constant improvement and innovation in business processes and products. Such activity helps the economy grow. It also brings in new income to the State that can be utilized for increased investment, hiring, and spending.

Two surveys of businesses in the State indicate that businesses still face headwinds and uncertainty. The Goss Institute for Economic Research’s Business Conditions Index for Colorado, based on a survey of supply managers in the State, increased to 59.0 in August from 49.6 in July. The July value represented the first time since September 2009 that the Colorado index slipped below 50, which reflects expectations of a contracting economy during the next three to six months. Similarly, the University of Colorado Leeds Business Confidence Index (“LBCI”), an index measuring the confidence of Colorado business leaders, reported that expectations weakened for the third quarter of 2012. The third quarter report indicated that many businesses remain cautious about the future, especially regarding the national economy.

New business creation in Colorado continues to rebound. New businesses generally create more jobs than existing firms. Thus, trends in business startup activity are important to monitor to help gauge job growth. Based on Quarterly Census of Employment and Wages data from the Colorado Department of Labor and Employment, the number of business startups with employees fell substantially during the recession. However, business startup activity improved beginning in 2010, and the trend has continued into the first quarter of 2012, the latest data available. The improvement in 2010 coincided with the pickup in job growth in Colorado.

Despite the recent growth trend, start-up activity remains well below its pre-recession peak. This indicates that entrepreneurs are having more difficulty finding opportunities to begin and sustain new business ventures as the economy rebuilds and restructures. Entrepreneurs generally continue to have

lower expectations and uncertainty about the future. This, coupled with less financing available, is hindering successful new business creation and thus more robust job growth.

***Labor Market Conditions and Trends.*** The labor market is slowly improving but continues to face many challenges as businesses remain apprehensive and uncertain about future economic conditions, federal fiscal policy, the European sovereign debt crisis, and an overall global slowdown. Further, the job market appears to be facing some structural frictions as it is taking time to match available jobs with those individuals seeking employment. Continued levels of high unemployment indicate the economy is still rebuilding from major disruptions and dislocations during the recession.

Additionally, in the private sector, firms are allocating more resources to equipment and software than labor. Historically, private business investment in equipment and software has moved in tandem with private sector employment. This divergence in spending demonstrates firms' efforts to keep operations lean and increase the productivity of existing workers.

Job openings and hiring continue on an upward trajectory, though growth is modest and challenges remain. The U.S. job market softened in August when 96,000 jobs were added, less than expected. Manufacturing shed 15,000 jobs, government lost 7,000, and temporary employment eliminated positions, which can be a bellwether for overall job trends. Employment rose in restaurants, professional and technical services, and health care. Construction gained 1,000 jobs with the continuing improvement in housing construction.

Colorado job growth is outpacing the nation. Based on data from the U.S. Bureau of Labor Statistics and OSPB's estimates of forthcoming revisions to jobs data that are currently not published,\* Colorado gained about 20,000 nonfarm jobs so far this year through July. The professional, scientific and technical services, and finance and insurance sectors contributed to about half of this gain. Colorado is a regional hub for these sectors, which helps contribute to economic growth.

Due to the large economic benefits that the manufacturing sector brings to the State, continued job growth through July in this sector is welcome. Another positive is that the construction sector is adding jobs this year after the sector shed a substantial amount of its workers when housing and other construction collapsed. Finally, the mining sector continues to lead the State in the percentage increase in job growth, although the sector represents only a small portion of the State's employment base. Notable sectors that have had very weak growth or have shed jobs this year include transportation and utilities, real estate, information, such as publishing industries and telecommunications, and the public sector.

OSPB's forecast for Colorado nonfarm payroll jobs remains the same as the previous forecast. Payroll jobs will increase 1.7% in 2012, but slow to 1.0% in 2013 as the current heightened uncertainty and lower expectations for future economic conditions takes their toll on hiring; nationally, job growth will be slightly slower.

***Unemployment.*** Although job growth has been occurring for the State and the nation since the beginning of 2010, growth has not been strong enough to employ the substantial amount of individuals who lost their jobs during the recession. Unemployment thus remains elevated.

There are several factors contributing to the higher levels of unemployment which are discussed in further detail in the following sections. The U.S. Bureau of Labor Statistics ("BLS") in August reported a national unemployment rate of 8.1%, down from 8.3% in July. The decrease was mostly due

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\* The jobs figures will be benchmarked based on Quarterly Census of Employment and Wage data to more accurately reflect the number of jobs in the State than what was estimated based on survey of employers.

to workers leaving the labor force which resulted in a lower labor force participation rate of 63.5% – the lowest level since 1981. The male participation rate nationally fell to 69.9%, its lowest level since 1948 when records began.

Colorado's unemployment rate inched up to 8.3% in July, the same as the nation's that month. This tenth of a point increase was due to gains in individuals entering the labor force to seek work without a commensurate increase in job growth.

Unemployment rates of 8.0% and 7.8% are forecast for Colorado in 2012 and 2013, respectively. The national unemployment rate will be 8.3% in 2012 and 8.2% in 2013.

A broader measure of unemployment also remains high. The underemployment rate, or the underutilization rate, is an alternative measure of unemployment to capture those who are underemployed (working less than full-time when a full-time position is preferred) and discouraged workers who would like to work but have temporarily stopped their search. Colorado's underutilization rate averaged 14.8 % from the second half of 2011 through the first half of 2012, below its peak of 15.7% in 2010 and the first part of 2011. The national underutilization rate in August was 14.7%.

Unemployment remains high despite sustained increases in job openings, providing evidence that the job market is less efficient than in other periods at matching job seekers with employers. The growth in job openings, as measured in Colorado by job advertisements posted online and nationally by job openings data from the U.S. Bureau of Labor Statistics' Job Openings and Labor Turnover Survey (JOLTS), is not being matched by job growth and a decrease in unemployment. This is likely due to several factors. There appear to be structural issues in the job market as employers and job seekers are less successful in meeting each other's needs compared with most previous periods. There is some evidence that there is a mismatch between the skill set and/or the geographic location of job seekers and the characteristics of job openings. A recent study from the Federal Reserve has indicated that up to one-third of the higher level of unemployment can be attributed to a mismatch between the skills of those seeking work and those needed by employers needing more workers. There is also some evidence of a mismatch between the wage expectations of individuals seeking work and the wages offered by employers.

The number of second quarter advertisements posted online in 2012 is 17% lower than the number of advertisements posted online before the recession at the end of 2007. At the same time, the 2012 unemployment rate is almost twice as high.

Job openings have increased at a faster pace in the current recovery than the recovery that began in 2003. At the same time, hiring has increased at only a slightly faster pace despite the much larger growth in openings. Thus, there is a larger gap between growth in openings and hires.

This discrepancy between openings and hires is larger than the recovery from the early 2000s recession when job growth was also slow to rebound. Once the process of matching unemployed and underemployed workers begins to speed up and experience more success, it will help the economy recover by enabling more employers to expand and providing individuals with higher incomes to buy goods and services. This will generate more positive feedback mechanisms and boost overall economic activity.

Industries with the largest demand for workers are led by computer and mathematical operations. Health care, computer and mathematical occupations, and retail and sales currently are posting the largest amount of job openings online.

According to the U.S. Bureau of Labor Statistics, the most growth in job openings nationally since the end of the recession have been in mining and manufacturing. These industries have seen the largest rebound and have helped propel the economic recovery. However, professional and business services, health care and social assistance, and retail sales also have experienced a relatively large increase in job openings.

As home construction has picked up, finding skilled construction workers is increasingly difficult likely in part because many former workers have moved into fields such as maintenance work or remodeling.

Both nationally and in Colorado, the relatively high number of openings that are not currently being filled are in industries requiring special skills or that cannot easily be automated, such as health care, computer and mathematical occupations, professional and business services, and manufacturing. This provides additional evidence that perhaps there are not enough workers currently available with the requisite skills to work in these industries.

Colorado appears to have less of a job market matching issue than some other areas of the United States, likely attributable in part to the fact that the State has a large concentration of educated workers. This is likely one reason Colorado's economy is outperforming the nation. According to a recent Brookings Institute study, metropolitan areas with lower education gaps, measured as the difference between the average years of education required by jobs with openings and the average years of education in an area, have lower overall unemployment rates. In the study, the Denver, Aurora, and Broomfield area had a gap of four percentage point gap while Colorado Springs had a two percentage point gap. Both were lower than the national average of five percentage points.

Businesses have been spending more on equipment and software than on labor during the current expansion. Business capital spending and hiring has historically trended closely together. However, recent national data suggests there has been a change in the relationship between business investment in equipment and software and private sector employment.

Firms typically reduce employees and decrease investment in equipment and software during recessionary periods and then increase investment and hire more employees during periods of expansion. However, as illustrated above, in the most recent recovery as firms moved to keep operations lean, they have not hired at the same rate as past recoveries. Many firms have increased labor productivity through automation, thus replacing workers with capital equipment. As output has returned to pre-recession levels, there is not the corresponding growth in employment as workers with jobs have become more productive. Over time, a more productive workforce will lead to stronger economic growth and thus more jobs.

The trend of increasing automation has profound implications for individuals with skills that are no longer needed by the job market and is contributing to the current high unemployment rate. Unfortunately, it may take a long period of time for the economy to generate new opportunities for the large number of dislocated workers due to this trend. Further, many workers will have to retrain to be qualified for many of the new jobs being created.

**Business Investment.** Private business investment is growing but still remains relatively low as measured by its portion of total economic activity. Private investment, a driver of economic growth both in the near and longer term, is used for the production of goods and services. Non-residential investment including investment in equipment and software and structures improves business practices and raises productivity. This generally leads to more income and profits that can then be used to sustain spending and investment which helps maintain economic growth.

Spending on nonresidential structures and investment in equipment and software is making gains as firms maintain and modernize technology and equipment and build new structures to expand operations. However, investment as a share of GDP is still low. The private sector continues to have elevated levels of uncertainty and lower expectations about the future, thus private investment will remain sluggish as business are less confident their investments will generate a sufficient return. Thus, with continued modest investment activity, the economy will likely continue to maintain lower levels of growth.

Through the first half of 2012, private business investment comprised 10.3% of GDP. However, from 1965 through 2000, private investment as a percentage of GDP averaged 11.3% annually. As shown, business investment has made up a smaller share of overall economic activity than this level throughout most of the 2000s.

The U.S. Commerce Department reported that new orders for manufactured durable nondefense capital goods orders excluding aircraft, an indicator of business spending, decreased in June and July. A representative from the machinery manufacturing industry noted in the most recent ISM survey of supply managers that there are indications of a continued slowdown in demand for capital equipment. Slower growth in new orders suggests sluggish output in the coming months as businesses spend less on investment and capital.

**Household Income.** Household income continues to grow, though at a slowing rate. After declining substantially during the recession, total personal income in both Colorado and the nation has been growing since the last quarter of 2009. The rate of growth has slowed since the first quarter of 2011. Slow income growth is an indicator of the sluggish recovery and will likely act as a continued headwind to the economy.

Real income growth per capita has been essentially flat. While data show that aggregate personal income is increasing, both Colorado and the nation have experienced minimal real, or inflation-adjusted, personal income growth since the recession. Real per capita income in Colorado and for the nation is only slightly above 2000's level, meaning that purchasing power has not materially increased. The State's personal income data has reflected larger declines during the recession and smaller increases through the current recovery than the nation as a whole.

Wage growth has varied by industry in Colorado. The relatively soft labor market has been accompanied by an environment of slow wage growth. Since 2001, only two major industries have seen compound average annual growth rates in real weekly wages of 1.5% or greater. These are the natural resources and mining industry and professional and business services. The average of the compound annual growth of real wages for all industries was less than one percent and was negative if the natural resources and mining sector is excluded. The fastest growing employment sectors between 2010 and 2011, aside from the natural resource and mining sector, were education and health services followed closely by leisure and hospitality.

Personal income for the nation will grow modestly at a rate of 3.9% in 2012. The growth rate will slow to 3.6% in 2013 as economic headwinds help keep wages and employment relatively flat. Personal income will grow slightly more in Colorado at a rate of 4.3% in 2012 and 4.0% in 2013.

**Consumer Spending.** Consumer spending at the national level slowed for much of the spring and early summer but has picked up in recent months. Household spending accelerated in July and August after several sluggish months. Spending on durable goods, such as vehicles, electronics, and appliances, has shown better performance. This has likely been supported by the continued extremely low interest rates and a pickup in home buying. Spending on durable goods can act as a leading indicator of broader

economic activity because it indicates consumers' willingness to make purchases of higher value that can be postponed more than other types of purchases in times of household belt tightening.

Retail sales growth in Colorado has continued to be surprisingly robust through the first six months of 2012. Retail trade sales in Colorado have been stronger than the nation, with spending growth distributed amongst most types of items. Notably, spending on building materials and furniture grew more in 2012 than the same period in 2011, likely as a result of increased housing activity. Spending on automobiles continued to grow at a strong pace in the first half of 2012. The only category of durable goods that declined was the sales of electronics and appliances.

Retail trade for the nation will finish 2012 having grown 5.4% but will grow just 3.7% in 2013. Colorado's retail trade will grow at a similar rate of 6.1% in 2012 and will slow to a 3.9% increase in 2013.

***Household Debt.*** Household debt continues a downward trend but remains elevated. In the first quarter of 2012, American households continued reducing debt and repairing their balance sheets. The debt reduction process will remain a drag on economic activity as households dedicate money to paying down debt that could be used for other purposes. The per capita debt level of \$36,477 in the first quarter of 2012 was about the same level as it was in mid-2006. However, even with continued household debt reduction, both total household debt and per capita debt remain well above historical levels.

The composition of household debt is changing. Consistent with the pattern seen in the wake of the economic downturn, households continue to reduce debt in uneven ways. Housing-related debt (mortgage loans and home equity revolving lines of credit) represents over three-quarters of overall household debt. This is a smaller share than at the end of 2011 when housing-related debt accounted for 83.4% of household debt.

A recent Federal Reserve Board working paper suggests that the decline in housing-related debt is largely due to a combination of continued defaults and low levels of mortgage originations rather than from consumers paying down or retiring housing-related debt. This finding is further supported by a study by the Federal Reserve Bank of Kansas City which found delinquency rate on mortgages was higher than for any other type of debt in the first quarter of 2012.

Growing student loan debt will reduce the future consumption capacity of households. While data show that households have reduced overall debt loads, an emerging student loan debt growth trend may have a lasting negative impact on the economy as it will limit consumption and other economic activities, such as the purchase of homes. Since 2003, total outstanding student loan debt in the United States has grown by 275%, from \$241 billion to \$904 billion.

***The Housing Market.*** The housing market is improving and is no longer a drag on growth. Continued increased sales and construction activity over the summer has contributed to much needed strengthening in the housing market both nationally and in Colorado. As discussed in recent OSPB forecasts, the health of the housing market is a critical factor for economic recovery, and the activity in housing is still well below historical levels.

During the downturn in housing, real estate markets were characterized by tightening lending standards, weak demand for housing, and an alarming decline in home prices which precipitated a large amount of negative equity ("underwater" mortgages) and foreclosures. The collapse of the housing market created large inventories of homes for sale with a shrinking pool of homebuyers. This simultaneous increase in supply and decrease in demand placed sustained downward pressure on prices.

In recent months, historically low interest rates coupled with more attractive reduced home prices, facilitated an increase in the number of home sales. Data from the Colorado Association of Realtors shows home sales in the second quarter of 2012, the most recent quarter for which data is available, rose by 16% from the same period in 2011. At the national level, preliminary data from the National Association of Realtors showed that existing home sales in July had risen more than 10% from the same month in 2011.

A portion of the excess inventory of homes for sale from the aftermath of the housing boom and bust has been sold and the balance of supply and demand is beginning to return to a more positive dynamic. This is allowing home prices to appreciate somewhat in Colorado and in more areas of the country.

Home values are experiencing different trends across the State. While the State as a whole has shown consistently increased sales activity and price increases over the last few months, housing market performance has varied in different parts of the State based on local economies.

Negative equity is decreasing, which can generate economic benefits. One of the important impacts of recent home price appreciation is the decrease in negative equity realized by “underwater” borrowers. Recent data reported by CoreLogic, a prominent source of housing market data, shows that the 10.8 million negative equity mortgages that existed in the United States at the end of the second quarter of 2012 was 23.7% lower than the number of negative equity mortgages outstanding three months prior. Colorado accounted for nearly 209,000 negative equity mortgages and this number was down from approximately 237,000 such mortgages in the State at the end of the first quarter of 2012. Colorado had the fifteenth largest number of outstanding mortgage loans with 5% or less equity at the end of the second quarter of 2012.

The impacts of the appreciation in home values and greater home equity are numerous. Homeowners experience a positive “wealth effect” which can spur consumer spending. Additionally, with greater home equity, homeowners may have a greater ability to sell their home and move to areas with better job opportunities which will help improve the sluggish job market and unemployment situation. Further, greater home equity enables entrepreneurs to gain access to financing to start or expand a business.

Home price appreciation is likely to be modest. Although home prices have risen during the past few months, price increases are expected to be muted over the near term. Much of the recently observed price recovery is mostly due to the re-balancing of supply and demand in the housing market as a large number of buyers were attracted to the market by very low interest rates and market-clearing house prices. The increased building activity encouraged by higher prices will lead to growth in the supply of homes on the market. This, along with the other factors facing the housing market discussed in this section, will place some downward pressure on appreciation.

Rental vacancies remain very low, making homeownership more attractive and spurring multifamily home construction. During the economic downturn, more households chose to rent rather than make home purchases due to the high level of uncertainty regarding home prices and employment. Additionally, large numbers of mortgage defaults caused many homeowners to rent, and tighter lending standards made homeownership less possible. As a result, the number of vacant rental properties has fallen nationwide and in Colorado, causing a steady and relatively large increase in the cost of rent. This has made homeownership more attractive recently, as the cost of buying a home is in many cases more favorable when compared to renting.

Homebuilding activity has increased. As homebuilders see home prices rise, it becomes more attractive to begin construction of new homes, which also has positive ripple effects throughout the economy. Because housing construction is still at very low levels, the economic impacts will not be large. The data illustrates a recent trend of accelerating growth in permit issuance. This trend is stronger in Colorado than the national economy, likely supported by its relatively strong economic prospects and population growth.

The current strong market for rental housing also makes construction of new multi-family housing units more attractive, as illustrated by the growing number of new multi-family construction permits. This trend may be supported over the medium- to long-term by the presence of a growing number of homebuyers interested in smaller and more affordable homes than in the past, such as duplexes, townhomes, and condominiums. Also, a higher proportion of individuals and families are likely preferring to rent rather than own due to more negative perceptions of homeownership resulting from the housing bust. Further, renting provides flexibility in today's labor market which requires more flexibility and mobility than was the case in previous years.

Several factors will prevent a more robust housing recovery. While the housing market has begun to rebound both nationally and in Colorado, a booming recovery is not expected. As a primary factor in the health of the housing market, persistently high unemployment will restrain growth as many would-be home buyers will be unwilling or unable to obtain mortgage loans without long-term employment. In addition to sluggish job growth, any consequential rise in interest rates will act as a check on home price appreciation to the extent it makes homeownership less affordable.

Housing permits in Colorado will increase to 17,100 in 2012 and 21,100 in 2013 as builders respond to stabilizing home prices and a greater balance of supply and demand. National residential permits will experience slightly lower growth.

**Price Levels.** Overall price levels in Colorado and the nation have shown slow growth but are expected to increase. The consumer price index ("CPI") measures the change in retail prices for a basket of goods and services. Overall price increases in Colorado have been stronger than the nation's.

The U.S. Bureau of Labor Statistics reported that the CPI nationally increased 0.6% in August, the largest increase since June 2009. About 80% of the increase was accounted for by the cost of gasoline index, which rose 9.0%. Additionally, drought conditions throughout the crop growing season in 2012 have led to expectations that food prices will increase further during the latter part of 2012 through 2014. Higher fuel and food prices can hurt the economy as it results in fewer resources for other uses.

Producer prices are experiencing upward pressure. Increases in prices paid are beginning to be reported in the ISM's surveys of both manufacturing and non-manufacturing businesses. The manufacturing price index sharply increased by 14.5% in August, reflecting high prices of raw materials and food stuffs. This is the largest month-over-month increase since September 2005 and the first month since April that the index has reflected an increase in the price of raw materials. A representative from the food, beverage, and tobacco industry in the survey noted that the U.S. drought has severely impacted the price of raw materials. Prices paid by the non-manufacturing sector for purchased materials and services also experienced a sharp increase in August, jumping 9.4%. Higher producer prices drive up business costs and limit resources for other productive uses, inhibiting business growth.

The Denver-Boulder-Greeley Consumer Price Index will increase 2.2% in 2012 and 3.1% in 2013. Much of the increase is being driven by higher rental costs, commodity prices, and food prices. Nationally, consumer prices will increase 2.3% in 2012 and 2.9% in 2013. National producer prices will grow 3.0% in 2012 and 6.1% in 2013.

**International Trade.** Export growth continues, though the global slowdown has weakened demand for American goods. Through July, U.S. exports were up 6.8% and Colorado's exports were up 9.7% over the same period a year ago. These growth rates represent a slowing trend. As the European sovereign debt crisis persists and Asian economies soften, domestic producers are selling fewer products abroad. The ISM survey of national supply managers' new export orders index for manufacturing goods has indicated contraction for three consecutive months.

Exports to Asia and Europe are weak or dropping. However, Colorado's exports were sustained in part by a boom in the sale of engines and motor parts to countries in the North American Free Trade Agreement ("NAFTA"), which represent Colorado's largest trading partners.

Circuits and other electronic equipment, beef products, and medical equipment are Colorado's largest exports. Circuits and electronic equipment, the largest export category in terms of dollar value, decreased by 18.0% in the past year with major drops in Asia as manufacturers pulled back on production due to the slowing global economy and a high level of inventory. However, with rising incomes and a growing appetite for American beef products, fresh and frozen beef exports expanded by nearly 40% in Asian markets, though Colorado's recent drought may reduce future exports of agricultural goods and livestock until producers can rebuild their herds.

Colorado's export of services will continue to benefit the State. Colorado's strong services sector encompasses engineering, legal, accounting, technological, consulting, and other services. According to the Bureau of Economic Analysis ("BEA"), U.S. trade in services facilitated by improvements in information and communication technologies have grown more quickly than trade in all other services. Though data on Colorado's export of services is not available, the State's services have most likely benefited from improvements and cost reductions in these technologies, as well as growth in developing economies, such as Brazil, China, India, and other Asian economies.

ISM's new export orders index for services and non-manufacturing activities in the United States for August registered 52, indicating that the export of services continues to grow and has not yet been as negatively affected by the slowing global economy as the export of goods.

See also **Appendix H** – "CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION" for additional information relating to State's economy.

#### *Investment of the State Pool*

**General.** The investment of public funds by the State Treasurer is subject to the general limitations discussed in "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds." The State Treasurer has adopted investment policies further restricting the investment of State pool moneys, which includes the General Fund. The purpose of these investment policies is to limit investment risk by limiting the amount of the portfolio that may be invested in particular types of obligations, or in obligations of particular issuers or in particular issues, by imposing rating or financial criteria for particular types of investments more restrictive than those required by law, and by limiting the maximum term of certain types of investments. A minimum of 10% of the portfolio is required to be held in U.S. Treasury securities. Any reverse repurchase agreements may be for interest rate arbitrage only, and not for liquidity or leverage purposes. Each reverse repurchase agreement and the total investment it is arbitrated against must be closely matched in both dollar amount and term.

Moneys invested by the State Treasurer are valued and "marked to market" on a monthly basis according to market prices provided by J.P. Morgan Chase, the State Treasury's investment safekeeping bank.

***Fiscal Years 2011-12 and 2012-13 (First Three Months) Investments of the State Pool.*** The following tables set forth the investment by category of the moneys in the State pool as of the end of each month in Fiscal Year 2011-12 and the first three months of Fiscal Year 2012-13.

**State of Colorado**  
**State Pool Portfolio Mix**  
**Fiscal Year 2011-12**  
(Amounts expressed in millions)<sup>(1)</sup>

	<b>Jul 2011</b>	<b>August 2011</b>	<b>Sept 2011</b>	<b>Oct 2011</b>	<b>Nov 2011</b>	<b>Dec 2011</b>	<b>Jan 2012</b>	<b>Feb 2012</b>	<b>Mar 2012</b>	<b>April 2012</b>	<b>May 2012</b>	<b>June 2012</b>
Agency CMOs	\$ 218.4	\$ 210.6	\$ 202.5	\$ 193.8	\$183.0	\$170.7	\$158.2	\$147.6	\$135.4	\$125.1	\$114.3	\$102.6
Commercial Paper	245.0	494.9	425.0	375.0	290.0	245.0	410.0	235.0	217.0	50.0	0.0	135.0
U.S. Treasury Notes	784.1	774.0	764.0	763.9	753.9	739.0	724.0	724.0	749.3	713.9	698.9	692.2
Federal Agencies Asset-backed Securities	4,223.6	3,936.5	3,926.1	3,949.8	3,824.5	3,877.2	4,210.0	3,891.1	3,984.0	4,869.9	4,887.6	4,176.8
Money Market	0.0	0.0	0.0	0.0	0.0	0.0	0.0	40.0	40.0	40.0	0.0	0.0
Corporates Certificates of Deposit	665.0	703.8	711.7	708.8	711.7	753.2	798.0	892.2	908.3	913.3	965.7	1,025.6
	4.5	4.6	4.5	3.4	3.5	3.5	3.0	3.1	3.1	2.1	1.1	0.8
	<u>\$6,308.7</u>	<u>\$6,274.4</u>	<u>\$6,205.8</u>	<u>\$6,193.0</u>	<u>\$5,981.7</u>	<u>\$6,013.5</u>	<u>\$6,573.0</u>	<u>\$6,208.8</u>	<u>\$6,345.2</u>	<u>\$7,024.3</u>	<u>\$6,982.4</u>	<u>\$6,452.9</u>

(1) This table includes all moneys in the State pool, which includes the General Fund and other moneys that are invested by the State Treasurer.

Source: State Treasurer's Office

**State of Colorado**  
**State Pool Portfolio Mix**  
**Fiscal Year 2012-13 (through September 2012)**  
(Amounts expressed in millions)<sup>(1)</sup>

	<u>July 2012</u>	<u>Aug 2012</u>	<u>Sept 2012</u>
Agency CMOs	94.0	90.0	85.0
Commercial Paper	50.0	50.0	0.0
U.S. Treasury Notes	703.9	718.9	674.0
Federal Agencies	4,631.2	4,450.3	4,493.7
Asset-Backed Securities	366.4	439.1	533.7
Money Market	0.0	0.0	0.0
Corporates	1,042.5	1,106.2	1,123.2
Certificates of Deposit	1.3	0.9	0.9
Totals	<u>6,889.3</u>	<u>6,855.4</u>	<u>6,910.5</u>

(1) This table includes all moneys in the State pool, which includes the General Fund and other moneys that are invested by the State Treasurer.

Source: State Treasurer's Office

**APPENDIX F**  
**Public School Capital Construction Assistance Fund**  
**Introduction**

Pursuant to House Bill 08-1335 and Senate Bill 09-257 (codified in part by Article 43.7 of Title 22, Colorado Revised Statutes, as amended) (the “**Act**”), the Colorado General Assembly has created the Public School Capital Construction Assistance Board (the “**Assistance Board**”) and the Public School Capital Construction Assistance Fund (the “**Assistance Fund**”). In accordance with the Act, the Assistance Fund is funded from revenues received by the State of Colorado (the “**State**”) from (i) a portion of rental income and royalties derived from State public school lands, (ii) a portion of State lottery proceeds, (iii) amounts paid by certain K-12 public schools (“**Participating K-12 Institutions**”) for which capital projects are financed through the State’s Building Excellent Schools Today Program (the “**Program**”); and (iv) State appropriations described in the following paragraph.

Under the Act, the State Treasurer may enter into lease-purchase agreements (the “**Leases**”) for which the State may decide annually to appropriate rent from the Assistance Fund. The General Assembly is also authorized to appropriate or transfer moneys to the Assistance Fund from any legally available source, including the State General Fund, if the amount in the Assistance Fund is insufficient to pay the full amount of the payments due to be made under the Leases. See **Appendix E** – “THE STATE GENERAL FUND.”

The decision of the State to appropriate funds to pay its obligations under the Leases or make up any shortfall in the Assistance Fund may be impacted by the amount and stability of revenues allocated to the Assistance Fund under the Act. Amounts deposited in the Assistance Fund are also available for other purposes permitted by the Act, including, without limitation, defraying the cost of Projects. As of June 30, 2012, \$127.55 million was on deposit in the Assistance Fund. The revenue sources for the Assistance Fund are further described below.

**Rental Income and Royalties**

The Territory of Colorado was established in 1861 pursuant to an enabling act (the “**Enabling Act**”). In the Enabling Act, the federal government declared that certain land previously owned by the federal government was to be granted in trust to the State for the support of the State’s public schools (the “**Public School Lands**”). On the date it was admitted to the United States, the State held roughly 3.7 million acres of Public School Lands. As of July 2012, the Colorado State Land Board of Commissioners (the “**State Land Board**”) reported that the State held 2.8 million surface acres and 4.0 million mineral acres in trust as Public School Lands.

The Act provides that the following moneys are to be deposited in the Assistance Fund: the greater of (i) 50% of the gross amount of “Public School Lands Income” received during a fiscal year or (ii) an amount of such income equal to the difference between the total amount of lease payments to be made by the State under the terms of the Leases and the total amount of Matching Moneys (as described below under “**Matching Moneys**”) to be paid to the State by the Participating K-12 Institutions. Public School Lands Income is defined under the Act to include: (i) the sale of timber on Public School Lands, and rentals or lease payments for the use and occupation of Public School Lands, and rentals or lease payments for sand, gravel, clay, stone, coal, oil, gas, geothermal resources, gold, silver, or other minerals on Public School Lands (the “**Rental Income**”); and (ii) royalties and other payments for the extraction of any natural resource on Public School Lands (the “**Royalties**”). Proceeds from the sale of Public School Lands are not part of Public School Lands Income, but such proceeds may be used by the State to purchase additional income-producing Public School Lands.

The following table shows the Rental Income and Royalties generated in each of the last three full Fiscal Years.

**Rental Income and Royalties<sup>(1)</sup>**

	<b>Fiscal Year 2009-2010</b>	<b>Fiscal Year 2010-2011</b>	<b>Fiscal Year 2011-2012</b>
Rental Income <sup>(2)(3)</sup>	\$17,156,825	\$ 15,461,137	\$ 17,516,225
Royalties <sup>(2)</sup>	<u>49,205,099</u>	<u>105,096,666</u>	<u>127,221,778</u>
Total <sup>(4)</sup>	\$66,361,924	\$120,557,802	\$144,738,000

- 
- (1) Unaudited.
  - (2) Includes interest earned on these revenues before they are distributed.
  - (3) Also includes timber sales.
  - (4) See the table under “Assistance Fund Details” in this Appendix which reflects the roughly 50% of Public School Lands Income deposited in the Assistance Fund in Fiscal Years 2009-10, 2010-11 and 2011-12. The variance for the entries in such table for “Rent and Royalties from State Land Board” and 50% of the total amounts shown above for such fiscal years is attributable to the fact that the State Land Board records the numbers above on an accrual basis and the Colorado Department of Education records the entries in the Assistance Fund on a cash basis.

Source: State Land Board

Revenues from Rental Income and Royalties are primarily derived from non-renewable resources. In addition to the prices of such resources, the sustainability and consistency of such revenues annually is dependent upon the management of such resources by the State Land Board, including adequate diversification of properties and the timely reinvestment of Public School Lands Income in additional income-producing property.

The Land Board is currently forecasting Rental Income and Royalties in Fiscal Year 2012-13 of \$101.38 million and \$19.47 million, respectively, for a total of \$120.85 million. While there is some variability in Rental Income (particularly commercial rents), Rental Income is fairly consistent year to year. Income from Royalties, however, is highly variable primarily as a result of the volatile nature of bonus revenues from oil and gas auctions. For example, the Fiscal Year 2010-11 bonus revenue of \$62.6 million was four times higher than any previous year. The Land Board is currently forecasting \$53.4 million of bonus revenues in Fiscal Year 2012-13. There is no certainty that Rental Income and Royalties will exceed or meet forecasted levels in Fiscal Year 2012-13.

Various Colorado laws, including the Act, apply to the priority and allocation of rental income and royalties derived from State school lands, allocation of State lottery proceeds, availability of funds for appropriation by the State, and other operations of the State. There is no assurance that there will not be any change in, interpretation of, or addition to the applicable laws, provisions and regulations which would have a material effect, directly or indirectly, on the affairs of the State and such funds.

**State Lottery Proceeds**

Article XXVII of the State Constitution (the “**Lottery Amendment**”) created the Great Outdoors Colorado Program which allocates the “Net Proceeds” of State-supervised lottery games to various purposes. Net Proceeds are defined as all proceeds from all programs including Lotto and every other State-supervised lottery game operated under the authority of the Lottery Amendment less the cost of prizes and expenses of the State Lottery Division and other operational expenses of the State lottery. Section 3(1)(b)(III) of the Lottery Amendment requires that in every quarter of the State’s fiscal year, 50% of the Net Proceeds exceeding \$53.1 million for Fiscal Year 2007-2008 (or such amount as adjusted

each year for changes from the 1992 Consumer Price Index-Denver) is to be allocated to the State’s General Fund. Effective May 22, 2008, the Act provides that all moneys that would otherwise be transferred to the State’s General Fund pursuant to Section 3(1)(b)(III) of the Lottery Amendment (the “**BEST Lottery Share**”) are to be deposited in the Assistance Fund.

The BEST Lottery Share deposits to the Assistance Fund in each of the last three full Fiscal Years are provided in the table below. The cost of randomly-awarded prizes and the operational expenses of the lottery vary significantly from year to year, so the amount of Net Proceeds available for BEST Lottery Share deposits has been and may remain volatile. There is no certainty that the BEST Lottery Share will exceed or meet current levels. See “Assistance Fund Details” herein.

**BEST Lottery Share<sup>(1)(2)</sup>**

	<b>Fiscal Year 2009-2010</b>	<b>Fiscal Year 2010-2011</b>	<b>Fiscal Year 2011-2012</b>
BEST Lottery Share	\$88,550	\$662,230	\$4,559,159

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(1) Unaudited.

(2) Amounts reflected above were generated in the prior Fiscal Years, received in the Fiscal Year as shown and deposited in the Assistance Fund. See the table under “Assistance Fund Details” in this Appendix.

Source: Colorado Department of Education

**Matching Moneys**

The Act defines “**Matching Moneys**” as moneys required to be paid to the State or used directly to pay a portion of the costs of a public school capital construction project by a Participating K-12 Institution as a condition of an award of financial assistance to the Participating K-12 Institution under the Program. The Assistance Board determines which percentage, if any, of the total financing for the Participating K-12 Institution’s project will constitute the required Matching Moneys for such Participating K-12 Institution. Such percentage varies depending on the Participating K-12 Institution. The obligations of Participating K-12 Institutions to pay Matching Moneys to the State may be evidenced by (a) cash delivered at the time the Certificates were delivered, (b) an obligation to pay Base Rent under the applicable Sublease subject to annual appropriation by the applicable Participating K-12 Institution, (c) bonds issued by the Participating K-12 Institutions and delivered to the State (the “**Matching Moneys Bonds**”), (d) an obligation to pay cash installments under the applicable Sublease or Participation Agreement, subject to annual appropriation by the applicable Participating K-12 Institution (the “**Matching Moneys Installment Payments**”) or (e) other types of obligations permitted by the Act and approved by the Assistance Board. At or prior to the execution and delivery of the Series 2012H Certificates, Matching Moneys related to the Series 2012H Certificates will be credited to the Assistance Fund in the form of cash in the amount of \$500,000. Additional Matching Moneys obligations relating to the Series 2012H Certificates are payable to the Assistance Fund in the future as Matching Moneys Bonds in the principal amount of \$65,434,609. See “PLAN OF FINANCING – The Series 2012H Projects and Series 2012H Participating K-12 Institutions.” Under the Subleases, if the Costs of a Sublessee’s project are less than the amount of the moneys that may be withdrawn from the Sublessee’s Project Account and the Assistance Fund (a “**cost savings**”), a portion of such cost savings, as determined by the State Treasurer, may, upon the consent of the Assistance Board, be shared with the Sublessee through the return of a portion of any cash payment of Matching Moneys or forgiveness of a portion of the Base Rent that would otherwise be payable under the respective Sublease, principal, premium, if any, and interest that would otherwise be due on the Sublessee’s Matching Moneys Bond or Matching Moneys Installment Payments that would otherwise be payable under the respective Sublease, as applicable.

After the execution and delivery of the Series 2012H Certificates, an aggregate amount of approximately \$191.2 million in future Matching Moneys Bonds relating to all Certificates will be outstanding. The related Participating K-12 Institutions have obtained voter approval for such Matching Moneys Bonds, so the payment of the related Matching Moneys will not be subject to annual appropriation by the Participating K-12 Institutions. Each of the Matching Moneys Bonds will constitute general obligations of the related Participating K-12 Institution and all of the taxable property within the boundaries of the Participating K-12 Institution will be subject to the levy of an ad valorem tax to pay the principal of, premium, if any, and interest on the related Matching Moneys Bonds without limitation as to rate and in an amount sufficient to pay the Matching Moneys Bonds when due. Based upon the opinion of bond counsel for the relevant Series 2012H Participating K-12 Institutions, the Matching Moneys Bonds may bear a supplemental coupon as part of fully funding the related Matching Money requirement if permissible under the ballot approved by voters.

Unless a Participating K-12 Institution that has Matching Moneys Bonds constituting general obligation bonds opts not to participate, Section 22-41-110, C.R.S. (the “**Bond Payment Act**”) is applicable. Each of the Participating K-12 Institutions that has Matching Moneys Bonds constituting general obligation bonds has notified the State of its participation under the Bond Payment Act.

Under the Bond Payment Act, if the paying agent with respect to a particular Matching Moneys Bond has not received a payment on the Matching Moneys Bond on the business day immediately prior to the date on which such payment is due, the paying agent is required to notify the State Treasurer and the Participating K-12 Institution that issued the Matching Moneys Bond. The State Treasurer is then required to contact the Participating K-12 Institution to determine whether the Participating K-12 Institution will make the payment by the date on which it is due. If the Participating K-12 Institution indicates to the State Treasurer that it will not make the payment on the Matching Moneys Bond by the date on which it is due, the State Treasurer is required to forward to the paying agent, in immediately available funds from any legally available funds of the State, the amount necessary to make the payment of the principal of and interest on the Matching Moneys Bond.

If the State Treasurer makes a payment on a Matching Moneys Bond under the Bond Payment Act, he or she is required to withhold such amount from the next succeeding payment to that school district of the State’s share of the school district’s required funding under Colorado’s Public School Finance Act of 1994 and from property tax and specific ownership revenues collected by the county treasurer on behalf of the district (except property taxes levied for the payment of bonds) on each occasion on which the State Treasurer makes a payment on a bond on behalf of a district. While the withholding of such funding and property and specific ownership tax payments by the State is limited to 12 monthly payments, the Bond Payment Act does not correspondingly limit the State’s contingent obligation to pay the Matching Moneys Bonds.

If the State Treasurer is required to make a payment on a Matching Moneys Bond, the State Department of Education is required to initiate an audit of the school district to determine the reason for the nonpayment of the Matching Moneys Bond and to assist the school district, if necessary, in developing and implementing measures to assure that future payments will be made when due.

The State has covenanted that it will not repeal, revoke, rescind, modify or amend the Bond Payment Act so as to limit or impair the rights and remedies granted under the Bond Payment Act. The Bond Payment Act provides, however, that it shall not be deemed or construed to require the State to continue the payment of State assistance to any school district or to limit or prohibit the State from repealing, amending, or modifying any law relating to the amount of State assistance to school districts or the manner of payment or the timing thereof. The Bond Payment Act further provides that it shall not be deemed or construed to create a debt of the State with respect to any Matching Moneys Bond within the

meaning of any State Constitutional provision or to create any liability except as specifically provided in the Bond Payment Act.

The Act provides that the maximum total of annual lease payments payable by the State under the Leases during any fiscal year under the terms of all outstanding Leases is (i) \$20 million for the 2008-2009 fiscal year, (ii) \$40 million for the 2009-2010 fiscal year, (iii) \$60 million for the 2010-2011 fiscal year and (iv) \$80 million for the 2011-2012 fiscal year and for each fiscal year thereafter. The State Treasurer may enter into Leases for which the aggregate annual lease payments of principal or interest for any fiscal year exceed one-half of the maximum total amount of annual lease payments provided in the preceding sentence only if the aggregate amount of Matching Moneys expected to be credited to the Assistance Fund and any interest or income derived from the deposit and investment of the Matching Moneys is at least equal to the annual lease payments of principal and interest payable by the State during any fiscal year that exceed one-half of said maximum total amount. Aggregate rent under the Prior Certificates and Series 2012H Certificates is not expected to reach 50% of the maximum amounts stated above.

**Matching Moneys and other amounts deposited in the Assistance Fund do not directly secure payment of the Series 2012H Certificates. Once Matching Moneys payable in installments are deposited in the Assistance Fund, such amounts, together with other amounts on deposit therein, are available to be appropriated by the State to pay the Series 2012H Certificates or for other purposes, including defraying the cost of Projects.**

Amounts in the Assistance Fund are used for a variety of purposes including emergency grants, grants, operating expenses and other uses permitted by the Act.

#### **Amendment 64**

On November 6, 2012, Colorado voters approved an initiated State constitutional measure known as Amendment 64 which provides for the legalization of marijuana use for persons twenty-one years of age or older and the taxation and regulation of marijuana in a manner similar to alcohol. Amendment 64 directs the Colorado General Assembly to enact an excise tax upon certain marijuana transactions prior to January 1, 2017 at a rate to be determined by the General Assembly, but not to exceed 15%. Amendment 64 requires the first \$40 million in revenues received annually from such excise tax be credited to the Assistance Fund. It is currently unclear what, if any, revenues to the Assistance Fund will result from the approval of Amendment 64 because (1) marijuana use in Colorado remains illegal under federal law, (2) it is not known if and when the General Assembly will enact the excise tax and the rate of such excise tax, (3) regulations on marijuana use under Amendment 64 have not yet been developed, and (4) there is no historical data on the transactions that might be subject to such an excise tax.

## Assistance Fund Details

For Fiscal Years 2008-2009, 2009-2010, 2010-11 and 2011-12, the following table shows unaudited financial information relating to the Assistance Fund as of each June 30<sup>th</sup>:

<b>Assistance Fund Details<sup>(1)</sup></b>				
	As of <u>June 30, 2009</u>	As of <u>June 30, 2010</u>	As of <u>June 30, 2011</u>	As of <u>June 30, 2012</u>
Assets <sup>(2)</sup>	\$65,208,102	\$86,825,418	\$113,899,079	\$155,883,503
Liabilities <sup>(3)</sup>	4,176,407	25,938,190	12,548,253	28,347,959
Fund Balance	61,031,695	60,887,228	101,350,826	127,535,544
Commitments (Encumbrances) <sup>(4)</sup>	(5,508,524)	(6,200,407)	(10,020,037)	(22,370,840)
Available Fund Balance	55,523,171	54,686,821	91,330,789	105,164,704 <sup>(5)</sup>
	<u>Fiscal Year 2008-2009</u>	<u>Fiscal Year 2009-2010</u>	<u>Fiscal Year 2010-2011</u>	<u>Fiscal Year 2011-2012</u>
<b>Revenue:</b>				
Transfers In for Grants and Construction Payments <sup>(6)</sup>	\$43,993,284	\$49,165,582	\$89,472,288	\$162,907,188
Rents and Royalties from State Land Board	35,195,168	33,196,010	60,261,217	72,357,278
Lottery	5,534,736	88,550	662,230	4,559,159
Matching Moneys	--	801,263	3,729,389	7,233,325
Interest and Other	1,327,275	2,603,504	1,736,089	1,685,631
<b>Expenditures:</b>				
Grants	20,051,549	16,942,768	15,809,202	9,520,863
Construction Payments <sup>(6)</sup>	--	57,230,488	87,006,448	177,290,625
Base Rent Payments	--	3,535,000	11,816,671	35,183,873
Administration and Other	4,967,219	8,291,120	765,293	861,197
Change in Fund Balance	\$61,031,695	(\$144,467)	\$40,463,598	\$25,886,023

(1) This presentation is unaudited because the Assistance Fund is not statutorily authorized to publish audited financial statements. It has been prepared from the Assistance Fund's accounting records which are subject to audit as part of the State's Comprehensive Annual Financial Report audit.

(2) Primarily reflects cash and year-end accrued receivables. No portion of the Certificate proceeds are reported in this balance.

(3) Primarily reflects matching moneys on deposit from Participating K-12 Institutions and year-end accrued construction payments payable. Does not include Base Rent payments on the Certificates.

(4) Primarily reflects payment obligations for approved project costs that are not financed with proceeds of the Certificates.

(5) This available fund balance includes designations of cash on hand totaling \$60.9 million. The designation of cash on hand consists of statutory requirements for BEST emergency funds, debt obligation payments, direct deposits held, and anticipated Fiscal Year 2012-13 cash distributions. The remaining undesignated fund balance is \$44.2 million.

(6) The amount shown as Transfers In for Grants and Construction Payments in Fiscal Year 2008-09 represents monies the State General Assembly transferred to the Assistance Fund to be used for grants and other purposes. The amounts shown as Transfers In for Grants and Construction Payments in Fiscal Years 2009-10, 2010-11 and 2011-12 and as Construction Payments include Trustee payments directly to construction contractors from Certificate proceeds. The Certificate-related portion of these line items are equal and offsetting and have no effect on the Available Fund Balance of the Assistance Fund. The amounts are required to be recorded in the State's official book of record by the Assistance Fund in order to support the recording of capital assets subleased by the State Treasurer to Participating K-12 Institutions. Those capital assets collateralized the State's liability recorded pursuant to entering into the Leases with the Trustee.

Source: Colorado Department of Education; State Land Board

### **State Appropriation or Transfer from Legally Available Sources**

If the amount of moneys in the Assistance Fund that is available to pay lease payments under the Leases will be insufficient to cover the full amount of the lease payments required by the Leases, the Act provides that the General Assembly may appropriate or transfer from any legally available source to the Assistance Fund sufficient moneys to make the lease payments. **However, the General Assembly is not obligated to appropriate or transfer moneys for such purpose and the decision whether or not to appropriate any such amount for such purpose will be in the General Assembly's sole discretion.** See **Appendix E** hereto.

### **Future Changes in Laws**

Various Colorado laws, including the Act, apply to the priority and allocation of Public School Lands Income, availability of funds for appropriation by the State and other operations of the State. There is no assurance that there will not be any change in interpretation of, or addition to the applicable laws, provisions and regulations which would have a material effect, directly or indirectly, on the affairs of the State or amounts deposited in the Assistance Fund.

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**APPENDIX G**  
**Leased Property Relating to Prior Certificates<sup>(1)</sup>**

The following table describes the Leased Property subject to the Site Leases between the Trustee and the respective Participating K-12 Institutions relating to the Series 2009A Certificates, the Series 2010B Certificates, the Series 2010C Certificates, the Series 2010D Certificates, the Series 2010E Certificates, the Series 2010F Certificates and the Series 2011G Certificates (collectively, the “**Prior Certificates**”).

Participating K-12 Institutions	Description of Leased Property	Land
<b>Series 2009 A Certificates</b>		
Alamosa School District No. Re-11J	Two elementary schools (144,688 sq. ft./72 classrooms) <sup>(2)</sup>	26.6-acre parcel of undeveloped land valued at \$226,000
Sangre de Cristo School District Re-22J	One K-12 school (81,000 sq. ft./24 classrooms) <sup>(2)</sup>	40-acre parcel of agricultural land valued at \$32,667
Sargent Re-33J	One junior/senior high school (62,463 sq. ft./18 classrooms) <sup>(2) (3)</sup>	1.2-acre parcel valued at \$6,656
<b>Series 2010B-C Certificates</b>		
Alta Vista Charter School, Inc.	Addition to K-8 School <sup>(2)</sup> (18,000 sq. ft. + renovation)	7.4-acre parcel valued at \$37,634
Colorado School for the Deaf and Blind	Historical Building Renovation <sup>(2)</sup> (6,000 sq. ft. addition/7 classrooms)	0.6-acre parcel valued at \$55,756
Delta County Joint School District 50	Existing Elementary School <sup>(2)</sup>	10.5-acre parcel valued at \$60,000
Douglas County School District, Re1	Existing Administrative Building <sup>(2)</sup>	2.1-acre parcel valued at \$283,484
El Paso County School District No. 8	Existing Activity Center Building <sup>(2)</sup>	4.1-acre parcel valued at \$78,000
Miami Yoder School District JT-60	Phase II of New PK-12 School (64,974 sq. ft.) <sup>(2)</sup>	2-acre parcel valued at \$1,300
Park County School District Re-2	New PK-12 Campus (125,000 sq. ft./40 classrooms) <sup>(2)</sup>	9.8-acre parcel valued at \$657,416
San Juan County School District No. 1	Renovate Historical K-12 School (21,500 sq. ft. bldg + 10,000 sq. ft. gym) <sup>(2)</sup>	1.1-acre parcel valued at \$1,108,600
Swink School District No. 33	Elementary School Classroom Addition (5,800 sq. ft./6 classrooms) <sup>(2)</sup>	0.3-acre parcel valued at \$230
<b>Series 2010D-F Certificates</b>		
Akron School District No. R-1	PK-12 school (108,700 sq. ft./32 classrooms) <sup>(2)</sup>	5.14-acre parcel of land valued at \$125,300
Center Joint Consolidated School District No. 26	K-12 school (105,000 sq. ft./60 classrooms) <sup>(2)</sup>	14.3-acre parcel of land valued at \$39,341
Holly School District RE-3	PK-12 School (73,631 sq. ft./42 classrooms)	23.0-acre parcel of land valued at \$51,354

<u>Participating K-12 Institutions</u>	<u>Description of Leased Property</u>	<u>Land</u>
Lake George Charter School	PK-6 School (21,000 sq. ft./12 classrooms) <sup>(2)</sup>	10.0-acre parcel of land valued at \$100,000
Mapleton School District	Partial campus improvements (404,250 sq. ft./121 classrooms affected)	34.8-acre parcel of land valued at \$695,000
Monte Vista Consolidated School District No. 8	High School and Elementary School (128,531 sq. ft./ 56 classrooms) <sup>(2)</sup>	8.8-acre parcel of land valued at \$504,733
North Routt Community Charter School	K-8 School (12,241 sq. ft./6 classrooms) <sup>(2) (3)</sup>	8.0-acre parcel of land valued at \$60,000 <sup>(3)</sup>
Salida School District R-32-J	High School (98,190 sq. ft. bldg./22 classrooms) <sup>(2)</sup>	14.5-acre parcel of land valued at \$453,370
Vista Charter School	Grades 6-8 School (16,835 sq. ft./9 classrooms) <sup>(2)</sup>	2.3-acre parcel of land valued at \$595,000

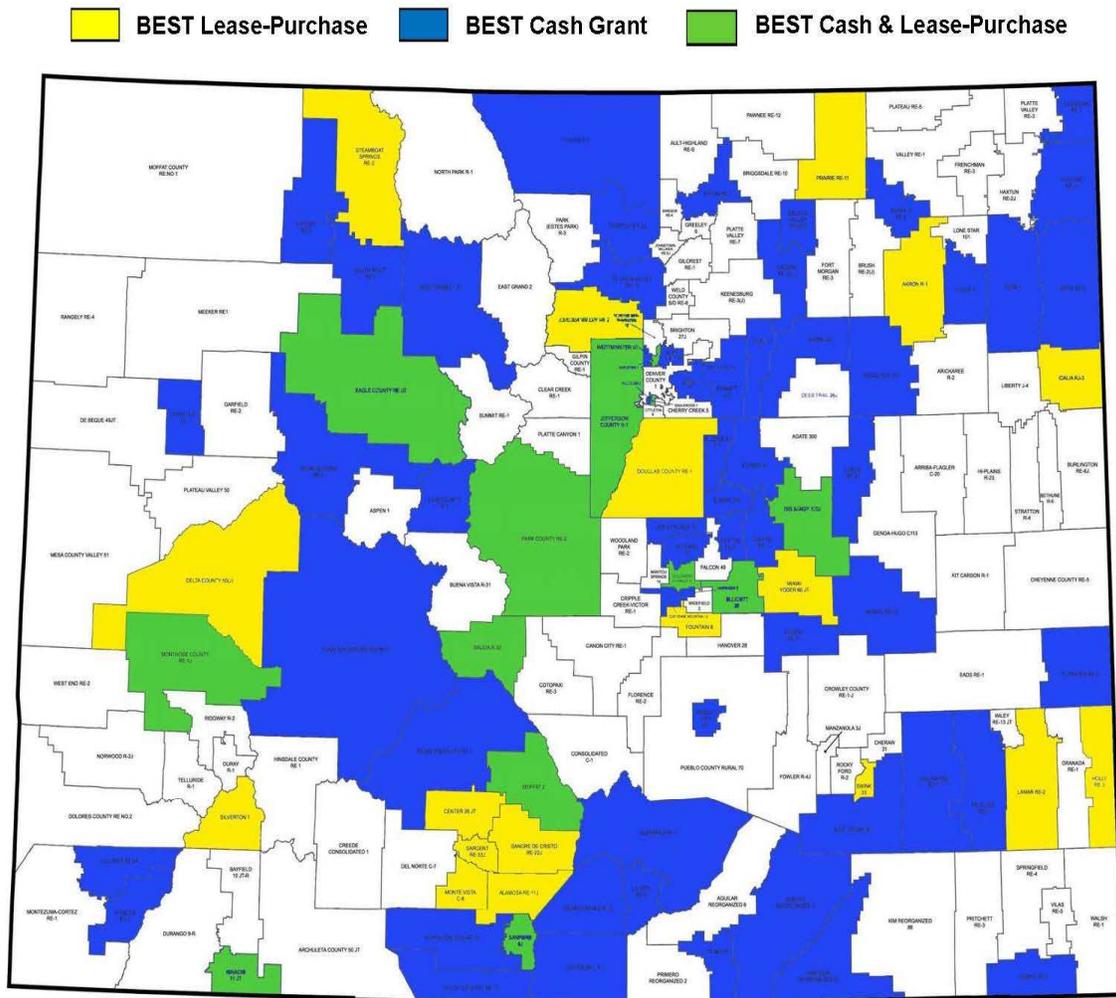
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**Series 2011G Certificates**

Big Sandy School District	New PK-12 School (83,412 sq. ft./34 classrooms)	33.9-acre parcel of land valued at \$55,000
Eagle County Charter Academy	K-8 School (45,000 sq. ft./26 classrooms)	6.001-acre parcel of land valued at \$304,550
Ellicott School	Middle School (74,466 sq. ft./27 classrooms)	8.61-acre parcel of land valued at \$10,501
Englewood School District	High School (97,800 sq. ft./30 classrooms)	12.68-acre parcel of land valued at \$1,601,788
Horizons School	K-8 Charter School Addition (37,725 sq. ft. with 10 classrooms) <sup>(3)</sup>	1.045-acre parcel of land valued at \$133,266
Idalia School District	PK-12 Gym <sup>(3)</sup>	1.91-acre parcel of land valued at \$291
Ignacio School District	Cafeteria, stage and kitchen addition	0.484-acre parcel of land valued at \$21,054
Prairie School District	PK-12 School (57,764 sq. ft./20 classrooms) <sup>(3)</sup>	24.394-acre parcel of land valued at \$2,486
Sanford School District	Bus barn and building	2.685-acre parcel of land valued at \$2,658

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- (1) The Leased Property shown on this list, or any portion thereof, may be released and other property substituted therefor as described in "Substitution of Leased Property" under "SECURITY AND SOURCE OF PAYMENT." In some cases, the Leased Property is comprised of existing facilities which were not wholly or partially financed with the proceeds of the Certificates.
- (2) These Projects have been cleared for occupancy and are currently in operation. Remaining Projects in this table have not been cleared for occupancy and are being funded from amounts remaining in the related Project Accounts and, in some cases, Matching Moneys that may be withdrawn from the Assistance Fund to pay Project costs.
- (3) Restricted by deed to educational purposes. Accordingly, the ability of the Trustee to lease such Leased Property to third parties upon the occurrence of an Event of Nonappropriation or Event of Default and subsequent vacating of such property will be limited to Lessee's desiring to use the property for educational purposes. See "CERTAIN RISK FACTORS – Effect of a Nonrenewal of a Lease."

The following map shows the geographic distribution of the BEST projects<sup>(1)</sup> in the State.



(1) Does not reflect Series 2012H Projects.

Source: Colorado Department of Education.

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## APPENDIX H

### Certain State Economic and Demographic Information

The following information was prepared and provided by Development Research Partners, Inc. to give prospective investors general information concerning selected economic and demographic conditions existing in the State as of the dates indicated. See also "INTRODUCTION – State Economic and Demographic Information." The statistics have been obtained from the referenced sources and represent the most current information available as of June 2012 from the sources indicated; however, since certain information is released with a significant time lag, the information in some cases will not be indicative of existing or future economic and demographic conditions. Further, the reported data has not been adjusted to reflect economic trends, notably inflation. Finally, other economic and demographic information concerning the State not presented herein may be available, and prospective investors may want to review such information prior to making their investment decision. *The following information is not to be relied upon as a representation or guarantee of the State or any officer or employee of or advisor to the State.* See also "**Appendix E** – THE STATE GENERAL FUND – OSPB Revenue and Economic Forecasts."

#### Overview

Colorado, the most populous state in the Rocky Mountain region, has three distinct geographic and economic areas. The eastern half of the State consists of the eastern plains, which are flat, open, and largely devoted to agriculture. The Front Range lies along the eastern base of the Rocky Mountains and contains most of the State's metropolitan areas. The western half of the State – which includes the Rocky Mountains and the Western Slope – includes many acres of national park and forest land and significant reserves of minerals, natural gas, and other resources.

The State's population and wealth are concentrated in the Front Range, principally in four major metropolitan areas: Denver/Boulder, Colorado Springs, Fort Collins/Greeley, and Pueblo. Denver, the State's capital, is the economic center of the State and the Rocky Mountain region. About 55 percent of the State's population and 60 percent of its jobs are located in the Denver/Boulder metropolitan area, which is a hub for transportation, communication, financial activities, and professional and business services. The aerospace, bioscience, and energy industries are also key contributors to economic growth in the Denver/Boulder metropolitan area and the State as a whole.

The State's economic performance depends heavily on economic performance at the national level. See also "**Appendix E** – THE STATE GENERAL FUND – OSPB Revenue and Economic Forecasts."

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## Population and Age Distribution

The following table provides population figures for Colorado and the United States since the 2000 census.

	Population Estimates (as of July 1)			
	Colorado		United States	
	Population (millions)	% Change	Population (millions)	% Change
2000	4.34		282.16	
2001	4.44	2.4%	284.97	1.0%
2002	4.50	1.4%	287.63	0.9%
2003	4.56	1.1%	290.11	0.9%
2004	4.61	1.2%	292.81	0.9%
2005	4.66	1.2%	295.52	0.9%
2006	4.75	1.8%	298.38	1.0%
2007	4.82	1.6%	301.23	1.0%
2008	4.90	1.7%	304.09	1.0%
2009	4.98	1.5%	306.77	0.9%
2010	5.05	1.5%	309.33	0.8%
2011	5.12	1.4%	311.59	0.7%

Note: Figures for 2000 through 2010 are estimates. The U.S. 2011 count is an estimate, and the 2011 count for Colorado is a forecast.  
Sources: Colorado Division of Local Government, State Demography Office; U.S. Census Bureau, Population Estimates Program.

The following table provides the age distribution for the State's population and the population nationwide.

	Age Distribution as of July 1, 2011			
	Colorado		United States	
	Population (millions)	% of total	Population (millions)	% of total
Under 18	1.24	24.1%	73.93	23.7%
18 to 24	0.49	9.6%	31.06	10.0%
25 to 44	1.45	28.3%	82.42	26.5%
45 to 64	1.36	26.6%	82.78	26.6%
65+	0.58	11.3%	41.39	13.3%
Total	5.12	100.0%	311.59	100.0%
Median Age	36.3		37.3	

Note: Totals may not add due to rounding.

Sources: Colorado Division of Local Government, State Demography Office; U.S. Census Bureau, Population Estimates Program.

## Income

The following table provides annual per capita personal income figures for Colorado, the Rocky Mountain Region, and the United States.

	Per Capita Personal Income in Current Dollars <sup>1</sup>					
	Colorado		Rocky Mountain Region <sup>2</sup>		United States	
	Income	% Change	Income	% Change	Income	% Change
2007	\$42,724		\$38,064		\$39,506	
2008	\$44,180	3.4%	\$39,469	3.7%	\$40,947	3.6%
2009	\$41,388	-6.3%	\$36,917	-6.5%	\$38,846	-5.1%
2010	\$42,295	2.2%	\$37,807	2.4%	\$39,937	2.8%
2011	\$44,088	4.2%	\$39,420	4.3%	\$41,663	4.3%

<sup>1</sup>Per capita personal income is total personal income divided by the July 1 population estimate.

<sup>2</sup>The Rocky Mountain Region includes Colorado, Idaho, Montana, Utah, and Wyoming.

Source: U.S. Bureau of Economic Analysis.

## Employment

The following table provides total employment, labor force, and unemployment statistics for the State.

	Civilian Labor Force, Total Employment, and Unemployment Rates						
	Colorado		Colorado Total		Annual Average		United States
	Civilian Labor Force (thousands)	% Change	Employment (thousands) <sup>1</sup>	% Change	Colorado	Unemployment Rate	
2007	2,698.6		2,598.4		3.7%	4.6%	
2008	2,737.3	1.4%	2,605.5	0.3%	4.8%	5.8%	
2009	2,727.6	-0.4%	2,501.8	-4.0%	8.3%	9.3%	
2010	2,687.4	-1.5%	2,447.7	-2.2%	8.9%	9.6%	
2011	2,723.0	1.3%	2,497.3	2.0%	8.3%	8.9%	
Year-to-date averages through April:							
2011	2,703.7		2,466.0		8.8%	9.3%	
2012	2,710.4	0.2%	2,488.2	0.9%	8.2%	8.4%	

<sup>1</sup>Includes the self-employed, unpaid family workers, and other groups not included in statistics that show employment by industry.  
Sources: Colorado Department of Labor and Employment, Local Area Unemployment Statistics; U.S. Bureau of Labor Statistics.

The following table shows Colorado employment by industry from 2007 to fourth quarter 2011. Industry designations are based on the North American Industrial Classification System. Employment includes only those workers covered by unemployment insurance; most workers in the state are covered.

Industry	Average Number of Employees by Industry					Year-to-Date		
	2007	2008	2009	2010	2011	2010Q4	2011Q4	% Change
Private Sector								
Agriculture, Forestry, Fishing, and	14,550	14,087	13,737	13,670	14,015	13,209	13,808	4.5%
Mining	25,019	28,335	24,004	24,232	27,789	25,500	29,584	16.0%
Utilities	7,950	8,221	8,404	8,266	8,138	8,256	8,115	-1.7%
Construction	167,717	161,814	131,001	115,111	112,232	115,655	114,826	-0.7%
Manufacturing	146,737	144,157	129,635	125,499	129,165	126,902	130,614	2.9%
Wholesale Trade	99,394	100,144	93,275	90,853	92,192	91,388	93,001	1.8%
Retail Trade	253,590	252,691	238,417	236,726	239,985	241,836	246,693	2.0%
Transportation and Warehousing	64,063	63,635	59,072	57,134	57,863	58,464	59,048	1.0%
Information	76,197	76,963	74,679	71,694	71,950	71,633	71,946	0.4%
Finance and Insurance	108,018	104,926	100,856	98,229	98,056	98,186	98,575	0.4%
Real Estate and Rental and Leasing	47,861	46,874	42,930	41,348	41,194	41,180	41,390	0.5%
Professional and Technical Services	170,603	176,440	169,561	167,505	172,096	169,313	174,700	3.2%
Management of Companies and	28,407	28,652	28,550	28,818	29,914	29,149	30,131	3.4%
Administrative and Waste Services	149,081	146,446	132,028	133,522	137,331	134,777	139,404	3.4%
Educational Services	26,975	27,701	28,049	28,979	30,145	29,662	31,278	5.4%
Health Care and Social Assistance	210,529	219,879	225,933	232,262	239,967	236,135	243,420	3.1%
Arts, Entertainment, and Recreation	44,627	45,656	44,555	44,621	45,564	42,041	43,193	2.7%
Accommodation and Food Services	225,787	227,251	217,785	217,976	225,702	217,415	224,452	3.2%
Other Services	67,043	68,503	65,701	65,278	66,134	64,943	65,966	1.6%
Unclassified	485	779	761	434	492	793	659	-16.9%
Government	358,016	367,712	372,472	374,911	373,154	376,676	375,935	-0.2%
<b>Total*</b>	<b>2,292,649</b>	<b>2,310,868</b>	<b>2,201,406</b>	<b>2,177,069</b>	<b>2,213,075</b>	<b>2,193,112</b>	<b>2,236,737</b>	<b>2.0%</b>

\*Industry employment levels may not add to total due to rounding.

Source: Colorado Department of Labor and Employment, Quarterly Census of Employment and Wages.

The following table shows the largest private sector employers in Colorado as of 2011. No independent investigation has been made, and no representation is made herein as to the financial condition of the employers listed below or the likelihood that these employers will maintain their status as major employers in the state. Employment counts for these businesses may have changed since this table was compiled, and other large employers may exist in the State that are not included in the table.

**Estimated Largest Private Sector Employers in Colorado (2011)**

<b>Employer</b>	<b>Type of Business</b>	<b>Estimated Employees<sup>1</sup></b>
Wal-Mart	General Merchandise	24,900
The Kroger Co. (King Soopers/City Market)	Supermarkets	18,500
Centura Health	Healthcare	12,500
HCA - HealthONE LLC	Healthcare	10,300
Safeway Inc	Supermarkets	9,500
Lockheed Martin	Aerospace & Defense Related Systems	8,800
CenturyLink	Telecommunications	7,900
Exempla Healthcare	Healthcare	7,300
Target Corporation	General Merchandise	7,100
Wells Fargo	Banking/Financial Services	6,300
Home Depot	Building Materials Retailer	6,200
Kaiser Foundation Health Plan of Colorado	Health Maintenance Organization	6,200
University of Denver	Private University	5,900
DISH Network LLC	Satellite TV & Equipment	5,000
Comcast Corporation	Telecommunications	5,000
United Airlines	Air Transportation	4,600
Oracle Corporation	Software & Network Computer Systems	4,400
University of Colorado Hospital <sup>2</sup>	Healthcare, Research	4,400
The Children's Hospital	Healthcare	4,400
IBM Corporation	Computer Systems & Services	4,200
Xcel Energy	Utility	3,700
Lowe's	Building Materials Retailer	3,700
United Parcel Service	Delivery Services	3,600
Vail Resorts	Leisure & Hospitality	3,600
Ball Corp	Containers, Aerospace	3,500
Frontier Airlines	Air Transportation	3,400

<sup>1</sup>Includes both full- and part-time employees.

<sup>2</sup>Some workers are also included in the employment count for the University of Colorado System (next table).

Source: Compiled by Development Research Partners from various sources, May 2012.

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The following table shows the largest public sector employers in Colorado as of 2011.

**Estimated Largest Public Sector Employers in Colorado (2011)**

<b>Employer</b>	<b>Estimated Employees<sup>1</sup></b>
Federal Government	40,000
State of Colorado	33,500
University of Colorado System <sup>2</sup>	16,100
Denver Public Schools	13,100
Jefferson County Public Schools	11,700
City and County of Denver	10,900
US Postal Service	8,650
Cherry Creek School District No 5	7,800
Douglas County School District RE-1	7,100
Colorado State University	6,600
Denver Health	5,500
Adams 12 Five Star Schools	5,000
Colorado Springs School District 11	5,000
Aurora Public Schools	5,000
Colorado Springs Memorial Hospital	4,100
Boulder Valley School District RE-2	4,000
Poudre School District R-1	3,900
St. Vrain Valley School District RE-1J	3,900
City of Aurora	3,400
Mesa County Valley School District 51	3,400
Academy Schools District No 20	3,200
Jefferson County	2,800
Thompson School District R2J	2,700
City of Colorado Springs	2,500
Greeley School District No 6	2,400

<sup>1</sup>Includes both full- and part-time employees.

<sup>2</sup>Some workers are also included in the employment count for the University of Colorado Hospital (previous table).

Source: Compiled by Development Research Partners from various sources, May 2012.

**Retail Sales**

The following table provides recent annual sales figures as reported for state sales tax purposes.

	<b>Colorado Gross and Retail Sales</b>			
	<b>Gross Sales</b>		<b>Retail Sales</b>	
	<b>Amount (billions)</b>	<b>% Change</b>	<b>Amount (billions)</b>	<b>% Change</b>
2007	\$202.84		\$148.91	
2008	\$212.88	4.9%	\$152.81	2.6%
2009	\$184.56	-13.3%	\$134.17	-12.2%
2010	\$197.17	6.8%	\$144.85	8.0%
2011	\$209.34	6.2%	\$154.17	6.4%

Year-to-date totals through February:

2011	\$26.76		\$21.05	
2012	\$28.71	7.3%	\$22.59	7.3%

Source: Colorado Department of Revenue.

The following table provides retail sales totals by industry for the past five years and year-to-date.

Colorado Retail Sales by Industry (millions) and Percentage Change from Prior Year<sup>1</sup>

Industry	2007		2008		2009		2010		2011		Year-to-date totals through February		
	2007	% Change	2008	% Change	2009	% Change	2010	% Change	2011	% Change	2011	2012	% Change
Agriculture/Forestry/Fishing	341.1	12.5%	303.8	-10.9%	284.4	-6.4%	334.9	17.8%	376.9	12.5%	22.2	28.2	27.2%
Mining	2,955.1	31.9%	3,414.2	15.5%	2,226.6	-34.8%	2,531.1	13.7%	3,278.4	29.5%	372.9	527.6	41.5%
Utilities	6,312.3	15.7%	7,094.1	12.4%	6,706.0	-5.5%	10,371.8	54.7%	8,464.5	-18.4%	1,422.0	1,397.6	-1.7%
Construction	3,684.8	12.9%	3,770.0	2.3%	2,807.3	-25.5%	2,756.3	-1.8%	2,749.0	-0.3%	304.4	315.0	3.5%
Manufacturing	11,400.6	12.9%	11,757.8	3.1%	9,220.0	-21.6%	10,423.4	13.1%	14,625.0	40.3%	1,947.7	2,379.9	22.2%
Wholesale Trade	14,493.5	15.2%	14,491.1	0.0%	11,891.4	-17.9%	12,422.0	4.5%	13,076.8	5.3%	1,564.0	1,556.8	-0.5%
<b>Retail Trade</b>													
Motor Vehicle and Auto Parts	14,182.4	6.9%	12,156.8	-14.3%	10,254.5	-15.6%	11,293.5	10.1%	13,029.2	15.4%	1,829.1	2,035.0	11.3%
Furniture and Furnishings	2,573.8	3.7%	2,353.2	-8.6%	1,893.8	-19.5%	1,901.0	0.4%	2,020.9	6.3%	283.5	329.0	16.1%
Electronics and Appliances	2,304.7	11.1%	2,244.0	-2.6%	1,982.7	-11.6%	2,116.8	6.8%	2,335.2	10.3%	357.9	319.1	-10.8%
Building Materials/Nurseries	5,766.4	-0.9%	5,281.0	-8.4%	4,202.7	-20.4%	4,388.6	4.4%	4,556.3	3.8%	517.3	565.8	9.4%
Food/Beverage Stores	12,095.1	9.3%	12,927.4	6.9%	12,557.6	-2.9%	13,363.7	6.4%	14,242.5	6.6%	2,056.7	2,233.6	8.6%
Health and Personal Care	2,139.1	8.1%	2,268.8	6.1%	2,350.2	3.6%	2,529.7	7.6%	2,678.3	5.9%	379.1	383.9	1.3%
Gas Stations	5,230.0	7.2%	5,764.6	10.2%	4,002.1	-30.6%	4,693.2	17.3%	5,752.9	22.6%	751.5	833.3	10.9%
Clothing and Accessories	3,185.4	11.0%	3,108.1	-2.4%	2,892.9	-6.9%	3,118.0	7.8%	3,319.7	6.5%	440.8	459.6	4.3%
Sporting/Hobby/Books/Music	2,692.2	5.7%	2,579.4	-4.2%	2,367.6	-8.2%	2,487.2	5.1%	2,624.5	5.5%	392.5	388.3	-1.1%
General Merchandise/Warehouse	10,997.6	6.7%	11,334.9	3.1%	10,973.6	-3.2%	11,091.0	1.1%	11,718.3	5.7%	1,639.5	1,721.4	5.0%
Misc Store Retailers	2,450.4	1.9%	2,364.4	-3.5%	2,204.6	-6.8%	2,448.6	11.1%	3,077.1	25.7%	365.8	452.7	23.7%
Non-Store Retailers	3,715.0	12.6%	4,299.7	15.7%	2,794.2	-35.0%	2,337.7	-16.3%	1,466.5	-37.3%	254.1	231.7	-8.8%
<b>Total Retail Trade</b>	<b>67,332.1</b>	<b>6.9%</b>	<b>66,682.2</b>	<b>-1.0%</b>	<b>58,476.5</b>	<b>-12.3%</b>	<b>61,769.0</b>	<b>5.6%</b>	<b>66,821.4</b>	<b>8.2%</b>	<b>9,267.6</b>	<b>9,953.4</b>	<b>7.4%</b>
Transportation/Warehouse	829.4	-6.5%	756.2	-8.8%	585.7	-22.5%	527.2	-10.0%	541.4	2.7%	64.2	83.7	30.3%
Information	6,232.2	7.4%	6,983.6	12.1%	7,044.4	0.9%	6,889.5	-2.2%	6,270.4	-9.0%	873.4	935.8	7.1%
Finance/Insurance	2,299.9	8.5%	3,085.9	34.2%	2,845.4	-7.8%	3,207.1	12.7%	3,034.5	-5.4%	318.2	384.0	20.7%
Real Estate/Rental/Lease	3,647.3	7.5%	3,607.7	-1.1%	2,903.0	-19.5%	2,915.8	0.4%	3,152.9	8.1%	470.7	510.2	8.4%
Professional/Scientific/Technical	6,623.3	9.2%	6,861.0	3.6%	6,059.6	-11.7%	6,553.9	8.2%	6,486.6	-1.0%	786.9	745.8	-5.2%
Admin/Support/Waste/Remediation	1,745.7	21.0%	1,955.5	12.0%	1,794.7	-8.2%	1,823.3	1.6%	1,889.7	3.6%	215.3	198.7	-7.7%
Education	425.1	9.2%	461.6	8.6%	421.8	-8.6%	480.0	13.8%	488.1	1.7%	67.0	57.8	-13.7%
Health Care/Social Assistance	4,563.1	16.3%	5,275.3	15.6%	5,740.5	8.8%	6,000.9	4.5%	6,147.7	2.4%	876.3	905.9	3.4%
Arts/Entertainment/Recreation	952.6	7.0%	971.5	2.0%	903.8	-7.0%	955.4	5.7%	980.2	2.6%	137.8	144.1	4.6%
Accommodation	2,904.8	11.7%	3,033.8	4.4%	2,566.9	-15.4%	2,719.6	5.9%	2,990.2	9.9%	480.1	493.7	2.8%
Food/Drinking Services	8,042.5	8.0%	8,229.0	2.3%	7,976.5	-3.1%	8,333.4	4.5%	8,824.3	5.9%	1,345.1	1,443.1	7.3%
Other Services	3,825.9	9.9%	3,825.2	0.0%	3,472.6	-9.2%	3,569.1	2.8%	3,700.3	3.7%	479.3	495.1	3.3%
Government	299.3	-7.3%	249.6	-16.6%	241.6	-3.2%	263.6	9.1%	267.7	1.6%	33.9	32.1	-5.2%
<b>Total All Industries</b>	<b>148,910.8</b>	<b>9.7%</b>	<b>152,809.2</b>	<b>2.6%</b>	<b>134,168.7</b>	<b>-12.2%</b>	<b>144,847.3</b>	<b>8.0%</b>	<b>154,166.0</b>	<b>6.4%</b>	<b>21,048.9</b>	<b>22,588.5</b>	<b>7.3%</b>

<sup>1</sup>Some sales data are suppressed to protect confidentiality, so percentage changes reported may vary from the actual change that occurred in a given year.

Source: Colorado Department of Revenue.

## Tourism

The following table provides visitor counts for the State's national parks and major recreation areas, Denver area convention attendance figures, and visitor counts for Colorado ski areas.

Colorado Tourism Statistics										
National Parks Visits <sup>1</sup>			Conventions <sup>2</sup>						Skier Visits <sup>3</sup>	
			Conventions		Delegates		Spending			
Number (millions)	% Change		Number	% Change	Number (thousands)	% Change	Amount (millions)	% Change	Number (millions)	% Change
2007	5.64		75		215.4		\$429.1		12.57	
2008	5.45	-3.3%	75	0.0%	293.4	36.2%	\$584.5	36.2%	12.54	-0.2%
2009	5.51	1.1%	66	-12.0%	244.7	-16.6%	\$487.4	-16.6%	11.86	-5.5%
2010	5.70	3.4%	75	13.6%	267.6	9.4%	\$533.1	9.4%	11.86	0.1%
2011	5.89	3.3%	82	9.3%	283.2	5.8%	\$564.2	5.8%	12.28	3.5%

<sup>1</sup>Count of recreational visitors for all of the State's National Parks Service territories, which include national parks, monuments, historic sites, and recreation areas.

<sup>2</sup>Includes only those conventions held at the Colorado Convention Center.

<sup>3</sup>Count of skier visits for the season ending in the referenced year.

Sources: National Parks Service; VISIT DENVER, The Convention and Visitor's Bureau; Colorado Ski Country USA; Vail Resorts, Inc.

## Residential Housing Starts

The following table provides a five-year history of the State's residential building permit issuance.

### New Privately Owned Housing Units Authorized in Colorado

	1 Unit	2 Units	3 & 4 Units	5+ Units	Total Building Permits	% Change
2007	20,516	448	411	8,079	29,454	
2008	11,147	290	181	7,380	18,998	-35.5%
2009	7,261	142	93	1,859	9,355	-50.8%
2010	8,790	276	136	2,389	11,591	23.9%
2011	8,723	266	127	4,386	13,502	16.5%

Year-to-date totals through April:

2011	2,627	96	20	887	3,630	
2012	3,398	78	49	2,477	6,002	
<i>% change</i>	<i>29.3%</i>	<i>-18.8%</i>	<i>145.0%</i>	<i>179.3%</i>	<i>65.3%</i>	

Source: U.S. Census Bureau.

## Residential Foreclosures

The following table provides a five-year history of foreclosure filings and sales in Colorado. The foreclosure filing is the event that begins the foreclosure process. In general, a borrower who is at least three months delinquent will receive a filing notice from the Public Trustee for the county in which the property is located. At this point, the property is in foreclosure.

Because a foreclosure filing can be cured or withdrawn before the home is sold at auction, not all filings result in foreclosure sales. Foreclosure sales at auction generally proceed between 110 and 125 days after the initial filing. Once a foreclosure sale is completed, the eviction process begins.

### Foreclosure Filings and Sales in Colorado

	Foreclosure Filings <sup>1</sup>	% Change	Foreclosure Sales at Auction	% Change
2007	39,920		25,054	
2008	39,333	-1.5%	21,306	-15.0%
2009	46,394	18.0%	20,437	-4.1%
2010	42,692	-8.0%	23,891	16.9%
2011	31,878	-25.3%	19,622	-17.9%

Year-to-date totals through first quarter:

2011	8,079		5,605	
2012	7,783	-3.7%	4,221	-24.7%

<sup>1</sup>Some filings may have been subsequently cured or withdrawn and may not have resulted in sales at auction.

Note: Various foreclosure moratoria were enacted in late 2008 and early 2009. As a result, filing and sales activity during those periods may appear inconsistent with activity in other periods. Over-the-year percentage changes should be interpreted with caution.

Source: Colorado Division of Housing.

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## APPENDIX I

### STATE PENSION SYSTEM

*The information included in this Appendix relies on information compiled and presented in the Public Employees' Retirement Association ("PERA") Comprehensive Annual Financial Report for the Plan Year ended December 31, 2011 (the "PERA 2011 CAFR") (the latest period for which audited information for the Plan is available) which is prepared by PERA staff employees and by the firm Cavanaugh Macdonald Consulting, LLC, PERA's independent actuary, and which is audited by KPMG, LLP, PERA's independent public accounting firm. The valuation and other assessments of PERA constitute forward-looking information as described in the inside cover of this Official Statement because they are based on assumptions about future events. The assumptions underlying the valuation and assessment may prove to be inaccurate and may be changed by PERA and its representatives and consultants to reflect actual results and future projections as additional information becomes available. The State takes no responsibility for the accuracy, validity or completeness of such information, valuations, and assessments.*

#### General Description

**Overview.** The State of Colorado (the "**State**"), like most other state and local governments, provides post-employment benefits to its employees based on their work tenure and earnings history. By statute, the State created PERA, which administers cost-sharing, multiple-employer defined benefit plans to provide retirement, death and disability benefits through the State Division Trust Fund (for State employees) (the "**State Division**"), the School Division Trust Fund (for employees of school districts), the Local Government Division Trust Fund (for employees of numerous municipalities and other local governmental entities), the Judicial Division Trust Fund (for judges in the State), and the Denver Public Schools Division (for employees of the Denver Public Schools). The defined benefit plan for the State Division is referred to herein as the "**Plan**." As described in more detail under the caption "Funding and Contributions" below, the Plan is funded with payments made by the State and by each employee, the amount of which are determined and established by statute. Benefits provided through the Plan are paid from the State Division. State employees hired after 2005 may, in lieu of participating in the Plan, elect to participate in a defined contribution plan (the "**DC Plan**") which is also administered by PERA. However, the majority of State employees participate in the Plan. See Notes 1 and 8 to the PERA 2011 CAFR for a discussion of the membership in the Plan and in the DC Plan, respectively. The State has no obligation to make contributions or fund benefits in divisions other than the State Division and Judicial Division of PERA. Because the majority of State employees participate in the Plan and not in the DC Plan, and the number of judges employed by the State that participate in the Judicial Division is relatively small in comparison to the number of other State employees, the disclosure in "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS – Pension and Post-Employment Benefits" in the body of this Official Statement and in this Appendix relates only to the Plan. See Note 20 to both the State's Fiscal Year 2010-11 CAFR and the State's unaudited Fiscal Year 2011-12 BFS attached as **Appendix A** to this Official Statement and Note 8 to the PERA 2011 CAFR for a discussion of the DC Plan. The information in the State's Fiscal Year 2010-11 CAFR is based on PERA's Comprehensive Annual Financial Report for calendar year 2010; however, the information in this State's unaudited Fiscal Year 2011-12 BFS and the information in this Appendix has been updated for the information provided in the PERA 2011 CAFR released in June 2012.

The State does not participate in the federal Old-Age, Survivors and Disability Insurance (Social Security) program.

**PERA.** PERA is a statutorily created legal entity that is separate from the State (as further described in Title 24, Article 51, C.R.S.). PERA was established in 1931 and has fiduciary responsibility for several separate divisions, including the State Division, the School Division, the Local Government Division, the Judicial Division and the Denver Public Schools Division. The State represents the majority, but not all, of the State Division employers and employees. Each division operates as a separate legal trust. PERA also operates two cost-sharing, multiple-employer post-employment benefit plans through the Health Care Trust Fund and the Denver Public Schools Health Care Trust Fund that provide health care premium subsidies to participating PERA benefit recipients who choose to enroll in one of PERA's health care plans. PERA's financial statements, which include all of its divisions and trusts, may be obtained by writing to PERA at P.O. Box 5800, Denver, Colorado 80217-5800, by calling the PERA Infoline at 1-800-759-7372 or by visiting <http://www.copera.org>. **The reference to the website of PERA is included herein for informational purposes only, and information available at such website or in PERA's financial statements, or any information provided by PERA, is not incorporated in this Official Statement by reference or otherwise. The State makes no representations regarding the accuracy of the information available at such website.**

## **Plan Provisions**

In response to funding challenges, the General Assembly has enacted changes to Plan benefits at various times. Some of such changes have been applied prospectively to newly hired employees. As a result, there are several tiers of employee benefits and related provisions that are based on employee hire dates and other factors. See Notes 18, 19 and 20 to both the State's Fiscal Year 2010-11 CAFR and the State's unaudited Fiscal Year 2011-12 BFS appended to this Official Statement, the PERA 2011 CAFR and Title 24, Article 51, C.R.S., for a discussion of the various tiers of benefits under the Plan.

## **Funding and Contributions**

**Statutorily Required Contribution.** The State's contributions to the Plan are based on percentages of employee wages, which percentages are set by statute. Such contribution percentages are referred to herein as the "Statutorily Required Contribution," or the "SRC," of the State. The baseline SRC that is made by the State for most State employees is 10.15% of each employee's salary for Fiscal Years 2009-10 and 2010-11. As discussed under "Annual Required Contribution" below, the SRC is lower than the actuarially computed Annual Required Contribution ("ARC"). The State has paid 100% of the SRC for each of Fiscal Years 2007-08 through 2011-12. See Note 18 to the State's Fiscal Year 2010-11 CAFR and the State's unaudited Fiscal Year 2011-12 BFS appended to this Official Statement for a summary of the SRC percentages payable by, and percentage amounts paid by, the State for such Fiscal Years. As required by statute, State employees generally contribute 8.0% of their wages to the Plan; however, for Fiscal Years 2010-11 and 2011-12, the employee contribution percentage was increased to 10.5% of the employee's wages. The 2.5% increase in contribution percentage by employees replaced a 2.5% reduction in the State contribution for such Fiscal Years. The employee contribution rates reverted to pre-Fiscal Year 2010-11 levels effective July 1, 2012, and the State will return to paying the 2.5% as part of the SRC. No assurance can be given regarding whether the General Assembly, through legislative action, will or will not further modify the amounts required to be contributed to the Plan by the State and its employees in any given year.

The State enacted legislation in 2004 and 2006 to gradually increase employer contributions to the Plan by authorizing the Amortization Equalization Disbursement (the "AED") and the Supplemental Amortization Equalization Disbursement (the "SAED") to reduce the amount of time over which funding shortfalls in the Plan would remain outstanding. Both the AED and SAED are paid by the State as contributions to the Plan, but the SAED payment comes from moneys that would otherwise have been used to provide market-based salary increases to employees. When and if the scheduled increases in AED and SAED are fully implemented at the end of 2017, the total State contribution to the Plan will be equal to

20.15% of employee wages. See Note 18 to both the State's Fiscal Year 2010-11 CAFR and the State's unaudited Fiscal Year 2011-12 BFS appended to this Official Statement for a discussion of the AED and SAED.

**Annual Required Contribution.** The Annual Required Contribution, or "ARC," is the amount required if the State were to fund each year's normal cost (*i.e.*, the present value of the benefits that the Plan projects to become payable in the future that are attributable to a valuation year's payroll) in the Plan plus an annual amortization of the unfunded actuarial accrued liability ("UAAL"), assuming that the UAAL will be fully funded over a 30-year period. The ARC is designed to quantify the current liability for future benefit payments associated with a defined benefit plan, and is based on accounting standards which generally allow a maximum period of 30 years to fund shortfalls in the market or actuarial value of the Plan's assets. As a result, the ARC is greater than the SRC because it results in a 30-year amortization period of the UAAL instead of a 56-year amortization period (at December 31, 2011, based on contribution rates, as of the date of calculation). The ARC amount varies from year-to-year as the investment market changes and the value of Plan assets changes, and is different from the SRC which, as described above, is set by statute and changed only when the General Assembly determines that the SRC will result in overfunding or underfunding of the Plan over the long term. As shown in Table 1 below, the State consistently makes the SRC, but in recent years it has not contributed the ARC.

**Historical State Contributions.** The following table shows (i) the ARC and SRC for the Plan over each of the ten years through December 31, 2011, (ii) the State's contributions expressed as a percentage of the ARC and (iii) the difference between the ARC and the State's actual contributions.

**Table 1**  
**Employer Contributions**  
**State and School Division 2002 through 2005; State Division 2006 through 2011**  
(Dollar amounts in thousands)

<u>Plan<sup>(1)</sup></u>	<u>Calendar Year</u>	<u>Annual Required Contribution (ARC)<sup>(2)</sup></u>	<u>Statutory Required Contribution (SRC)<sup>(3)</sup></u>	<u>Actual Employer Contribution</u>	<u>Actual Contribution as a Percent of ARC<sup>(6)</sup></u>	<u>Amount Unfunded ARC-Actual Employer Contribution</u>
State Division	2011	\$326,274	\$283,222 <sup>(4)</sup>	\$283,222	86.81% <sup>(6)</sup>	\$ 43,052
State Division	2010	452,821	287,624 <sup>(5)</sup>	287,624	63.52	165,197
State Division	2009	426,999	297,240	297,240	69.61	129,759
State Division	2008	437,537	270,353	270,353	61.79	167,184
State Division	2007	385,352	232,997	232,997	60.46	152,355
State Division	2006	405,800	208,795	208,795	51.45	197,005
State and School Division	2005	918,466	491,031	491,031	53.46	427,435
State and School Division	2004	918,025	452,991	452,991	49.34	465,034
State and School Division	2003	571,156	387,920	387,920	67.92	183,236
State and School Division	2002	315,825	315,825	315,825	100.00	--

<sup>(1)</sup> Prior to 2006 the State Division and School Division of PERA were combined and actuarial valuations were not done separately for the State or for schools.

<sup>(2)</sup> In accordance with GAAP, results in amortization of UAAL over 30 years. Based on annual actuarial valuation two years prior to the calendar year shown.

<sup>(3)</sup> The SRC for the State Division is higher for State troopers than for other State employees. However, the number of State troopers employed by the State is small in comparison to the number of other State employees, so the State contribution for these employees is combined with other State Division employees in this table.

<sup>(4)</sup> Results in amortization of UAAL over 56 years as of December 31, 2011. Based upon an investment return assumption of 8%. The PERA 2011 CAFR also calculates the ARC and UAAL based upon different assumed interest rates.

<sup>(5)</sup> Results in amortization of UAAL over 47 years as of December 31, 2010.

<sup>(6)</sup> Increase in percentage contributed over 2010 is primarily related to changes required by SB 10-001.

Source: PERA Comprehensive Annual Financial Reports for calendar years 2005, 2010 and 2011.

## Plan Assets, Liabilities and Funding Levels

At December 31, 2011 (the latest period for which audited information for the Plan is available), based on PERA's 2011 CAFR for the Plan, the actuarial value of the Plan assets and the actuarial accrued liability ("AAL") of the Plan were approximately \$12.0 billion and \$20.8 billion, respectively, resulting in a UAAL of approximately \$8.8 billion and a funded ratio of 57.7%, assuming an investment rate of return of 8%. The UAAL would amortize over a 56-year period based on contribution rates as of the date of calculation (*i.e.*, contributions equal to the SRC). The actuarial value of assets for the Plan uses an asset valuation method of smoothing the difference between the market value of assets and the actuarial value of assets to prevent extreme fluctuations that may result from short-term or cyclical economic and market conditions. Accordingly, the full effect of recent fluctuations in Plan assets as a result of economic and market conditions is not reflected in the funded ratio of 57.7%. At December 31, 2011, the funded ratio of the Plan based on the market value of assets was 57.6%, representing a UAAL of \$8.8 billion. Table 2 below sets forth for each of the ten years through December 31, 2011, the UAAL, funded ratio and related information for the Plan based on the actuarial value of Plan assets. Table 3 below sets forth for each of the ten years through December 31, 2011, the UAAL, funded ratio and related information for the Plan based on the market value of Plan assets.

When calculating the funding status of the Plan as summarized in Table 2 below, the PERA 2011 CAFR indicates that the following actuarial assumptions, among others, were used : (1) the actuarial cost method is based on the entry age of participants; (2) the Plan's UAAL is amortized as a level percent of payroll, on an open basis, over a 30-year period; (3) for valuation purposes the actuarial value of assets is based on gains and losses smoothed in over a four-year period; (4) projected salary increases are expected to range from 4.50% to 10.17%; (5) the rate of inflation is assumed to be 3.75% and the rate of productivity increase is 0.75%; however, both are included in the assumed 8.00% rate of investment return and in the projected salary increases; (6) an 8% assumed rate of return on investments; and (7) cost of living adjustments are assumed to be 2.00% per year. The PERA 2011 CAFR also calculates the ARC and UAAL based upon different assumed rates of interest. See Notes 10 and 11 to the PERA 2011 CAFR for a discussion of the actuarial methods and assumptions used in calculating the funding status of the Plan. No assurance can be given that any of the assumptions underlying the actuarial valuations of the Plan will reflect the actual results experienced by the Plan. Variances between the assumptions and actual results may cause an increase or decrease in the actuarial value of plan assets, the AAL, the UAAL, the funded ratio or the ARC.

**Table 2**  
**Historical Funding Progress**  
**Actuarial Value of Plan Assets**  
**State and School Division 2002 through 2004; State Division 2005 through 2011**  
(Dollar Amounts in Thousands)

<u>Plan</u> <sup>(1)</sup>	<u>Date Ending December 31</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Employer Payroll</u>	<u>UAAL as a Percentage of Employer Payroll</u>
State Division	2011	\$12,010,045	\$20,826,543	\$8,816,498	57.7%	\$2,393,791	368.3%
State Division	2010	12,791,946	20,356,176	7,564,230	62.8	2,392,080	316.2
State Division	2009	13,382,736	19,977,217	6,594,481	67.0	2,384,137	276.6
State Division	2008	13,914,371	20,498,668	6,584,297	67.9	2,371,369	277.7
State Division	2007	14,220,681	19,390,296	5,169,615	73.3	2,236,518	231.1
State Division	2006	13,327,290	18,246,010	4,918,720	73.0	2,099,325	234.3
State Division	2005	12,536,916	17,541,744	5,004,828	71.5	2,064,764	242.4
State and School Division	2004	28,594,699	40,783,531	12,188,832	70.1	5,303,439	229.8
State and School Division	2003	28,522,222	37,914,502	9,392,280	75.2	5,140,918	182.7
State and School Division	2002	28,551,607	32,463,918	3,912,311	87.9	5,278,586	74.1

<sup>(1)</sup> Prior to 2006 the State and School Divisions of PERA were combined as one division and actuarial valuations were not done separately for the State or for Schools.

Source: PERA Comprehensive Annual Financial Reports for calendar years 2005, 2010 and 2011

**Table 3**  
**Historical Funding Progress**  
**Market Value of Plan Assets**  
**State and School Division 2002 through 2005; State Division 2006 through 2011**  
(Dollar Amounts in Thousands)

<u>Plan</u> <sup>(1)</sup>	<u>Valuation Date</u> <u>(December 31)</u>	<u>Market Value of Assets</u> <sup>(2)</sup>	<u>Actuarial Liability (AAL)</u>	<u>Unfunded Actuarial Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Employer Payroll</u>	<u>UAAL as a Percentage of Employer Payroll</u>
State Division	2011	\$12,001,770	\$20,826,543	\$8,824,773	57.6%	\$2,393,791	368.7%
State Division	2010	12,487,105	20,356,176	7,869,071	61.3	2,392,080	329.0
State Division	2009	11,611,758	19,977,217	8,365,459	58.1	2,384,137	350.9
State Division	2008	10,508,301	20,498,668	9,990,367	51.3	2,371,369	421.3
State Division	2007	14,852,029	19,390,296	4,538,267	76.6	2,236,518	202.9
State Division	2006	14,041,260	18,264,010	4,222,750	76.9	2,099,325	201.1
State and School Division	2005	31,956,662	43,505,716	11,549,054	73.5	5,305,978	217.7
State and School Division	2004	30,019,896	40,783,531	10,763,635	73.6	5,303,439	203.0
State and School Division	2003	27,123,836	37,914,502	10,790,666	71.5	5,140,918	209.9
State and School Division	2002	22,023,781	32,463,918	10,440,137	67.8	5,278,586	197.8

<sup>(1)</sup> Prior to 2006 the State and School Divisions of PERA were combined as one division and actuarial valuations were not done separately for the State or for schools.

<sup>(2)</sup> Market Value of Assets is net of related current liabilities at the financial statement date and equals net assets held in trust for beneficiaries.

Source: PERA Comprehensive Annual Financial Reports for calendar years 2002 through 2011

The following table provides PERA's change in net position for the Fiscal Years 2002 through 2011.

**Table 4**  
**PERA Changes in Net Position<sup>(1)</sup>**  
**(Dollar Amounts in Thousands)**

**State and School Division  
Trust Fund<sup>(2)</sup>**

ADDITIONS	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Employer contributions	\$315,825	\$387,920	\$452,997	\$491,031	\$208,795	\$232,997	\$270,353	\$297,240	\$287,624	\$283,222
Member contributions	397,315	405,715	411,376	425,657	169,965	179,971	191,481	194,168	223,240	258,678
Purchased service	329,572	695,516	192,033	212,971	39,480	8,259	13,315	8,830	12,496	11,277
Investment income (loss)	(3,099,924)	5,203,073	3,663,632	2,827,871	1,921,863	1,388,265	(3,745,843)	1,742,571	1,553,142	232,669
Other	5	3	30	(9)	1	4	7	3	1	331
Total additions	(2,057,207)	6,692,227	4,720,068	3,957,521	2,340,104	1,809,496	(3,270,687)	2,242,812	2,076,503	786,177
DEDUCTIONS										
Benefit payments	1,307,652	1,469,343	1,677,417	1,872,565	849,229	925,761	999,279	1,071,725	1,122,435	1,174,707
Refunds	88,793	99,039	108,136	114,968	65,911	56,578	56,716	58,416	68,844	70,090
Disability insurance premiums	4,070	3,592	4,186	4,038	1,772	1,833	1,794	2,004	1,661	1,685
Administrative expenses	17,752	19,750	20,949	18,811	7,889	6,963	8,639	8,729	8,942	8,685
Other	1,649	448	13,320	10,373	3,103	7,592	6,613	(1,519)	(726)	(4,546)
Total deductions	1,419,916	1,592,172	1,824,008	2,020,755	927,904	998,727	1,073,041	1,139,355	1,201,156	1,250,621
Change in net position available	(3,477,123)	5,100,055	2,896,060	1,936,766	1,412,200	810,769	(4,343,728)	1,103,457	875,347	(464,444)
Net position at beginning of year	25,500,904	22,023,781	27,123,836	30,019,896	12,629,060	14,041,260	14,852,029	10,508,301	11,611,758	12,487,105
Net position at end of year	\$22,023,781	\$27,123,836	\$30,019,896	\$31,956,662	\$14,041,260	\$14,852,029	\$10,508,301	\$11,611,758	\$12,487,105	\$12,022,661

(1) The above table is presented on a cash basis.

(2) The State and School Division Trust Funds merged on July 1, 1997, and separated on January 1, 2006.

Source: PERA Comprehensive Annual Financial Report for calendar year 2011.

## **Investment of Plan Assets**

State Law authorizes the investment of PERA's funds by the PERA Board, subject to the following limitations:

- The aggregate amount of investment trust shares, corporate stocks, corporate bonds, and convertible debentures cannot exceed 65% of the book value of the fund.
- Neither common nor preferred stock of a single corporation can exceed 5% of the book value of the fund.
- The fund cannot acquire more than 12% of the outstanding stocks or bonds of a single corporation.

See Note 5 and the Investment Section of the PERA 2011 CAFR for additional discussion of PERA's investment responsibilities and investment policies.

## **Current Litigation Affecting the PERA Act**

The State, PERA and others are defendants in a class action lawsuit brought in Denver District Court by several PERA retirees challenging the constitutionality of a provision of SB 10-001 which amended the PERA Act to reduce the annual cost of living adjustment increase payable to existing and future PERA retirees in an effort to reach a 100% funded ratio within 30 years. See "Plan Assets, Liabilities and Funding Levels" above. In June 2010, the District Court granted summary judgment in favor of the defendants and the plaintiffs appealed. In October 2012, the Colorado Court of Appeals reversed the District Court decision finding the plaintiffs have a contractual right to the cost of living adjustment increases, and remanded the case back to the District Court to determine if the reduction was a substantial impairment and whether the reduction was reasonable and necessary to serve a significant and legitimate public purpose. See Note 7 to the PERA 2011 CAFR for a discussion of this litigation.