NEW ISSUE - Book-Entry Only **RATINGS: Moody's: "Aa2"**
S&P: "AA-"
See "RATINGS"

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 2011G 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 2011G 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 2011G Certificates. See "TAX MATTERS" herein.

$146,635,000
STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
CERTIFICATES OF PARTICIPATION
TAX-EXEMPT SERIES 2011G

Dated: Date of Delivery Due: March 15, as shown on the inside cover

The Series 2011G Certificates are being executed and delivered as fully registered certificates in denominations of $5,000, or any integral multiple thereof. The Series 2011G Certificates bear interest at the rates set forth herein, payable on March 15, 2012, and semiannually thereafter on September 15 and March 15 of each year, to and including the maturity dates shown on the inside cover hereof (unless the Series 2011G Certificates are redeemed earlier) by check or draft mailed to the registered owner of the Series 2011G Certificates, initially Cede & Co., as nominee of The Depository Trust Company, New York, New York ("**DTC**"), securities depository for the Series 2011G Certificates.

DTC initially will act as securities depository for the Series 2011G Certificates. Individual purchases will be made in book-entry form only. Purchasers of the Series 2011G Certificates will not receive physical delivery of certificates, all as more fully described herein. Payments on the Series 2011G 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 2011G 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 2011G Supplemental Indenture attached as* ***Appendix B*** *to this Official Statement.*

Maturity and interest rate information for the Series 2011G Certificates is located on the inside cover page of this Official Statement.

The Series 2011G 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, and a Series 2011G Supplemental Trust Indenture (the "**2011G Supplemental Trust Indenture**"), dated as of the delivery of the Series 2011G Certificates. (The Master Indenture, as supplemented by the 2009A Supplemental Indenture, the Series 2010B-C Supplemental Indenture, the 2010D-F Supplemental Indenture and the 2011G Supplemental Indenture and as further supplemented and amended from time to time, is referred to as the "**Indenture**"). The Series 2011G Certificates are not the only Certificates to be executed and delivered pursuant to the Indenture. The Series 2009A Certificates, the Series 2010B-C Certificates and the Series 2010D-F 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 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 with 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 the date of delivery of the Series 2011G Certificates (the "**2011G 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 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 the 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 Master Indenture. The net proceeds of the Series 2011G Certificates will be used to pay the costs of certain projects approved by the State Board (the "**Series 2011G Projects**") for certain Participating K-12 Institutions as further described herein (the "**Series 2011G Participating K-12 Institutions**"), to make a deposit to the State Expense Fund and to pay the costs of issuance of the Series 2011G 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 2011G Lease is referred to as the "**2011G Leased Property**" and is further described herein.

The Series 2011G 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 2011G 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, has acted as financial advisor to the State in connection with the offering and execution and delivery of the Series 2011G Certificates. It is expected that the Series 2011G Certificates will be executed and available for delivery through the facilities of DTC, on or about December 8, 2011.

RBC Capital Markets **Stifel Nicolaus**
George K. Baum & Company **Wells Fargo Securities**

Dated: November 29, 2011

MATURITY SCHEDULE
(CUSIP© 6-digit issuer number: 19668Q)[1]

$146,635,000
STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
CERTIFICATES OF PARTICIPATION
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Maturing (March 15)	Principal Amount	Interest Rate	Yield	CUSIP©	Maturing (March 15)	Principal Amount	Interest Rate	Yield	CUSIP©
2012	$ 6,435,000	1.000%	0.180%	EB7	2021	$ 5,630,000	5.000%	2.800%	EL5
2013	3,170,000	4.000	0.650	EC5	2022	435,000	3.000	3.030	EM3
2014	1,000,000	2.000	1.000	ED3	2022	5,470,000	5.000	3.030[2]	FC4
2014	2,270,000	5.000	1.000	EX9	2023	1,885,000	3.125	3.260	EN1
2015	1,000,000	2.000	1.320	EE1	2023	4,300,000	4.250	3.260[2]	FD2
2015	3,320,000	5.000	1.320	EY7	2024	6,420,000	5.000	3.410[2]	EP6
2016	525,000	2.000	1.590	EF8	2025	6,735,000	5.000	3.640[2]	EQ4
2016	3,975,000	5.000	1.590	EZ4	2026	75,000	3.750	3.760	ER2
2017	650,000	2.000	1.860	EG6	2026	6,990,000	5.000	3.760[2]	FE0
2017	4,065,000	5.000	1.860	FA8	2027	7,410,000	5.000	3.870[2]	ES0
2018	1,470,000	2.000	2.070	EH4	2028	7,775,000	5.000	3.980[2]	ET8
2018	3,455,000	5.000	2.070	FB6	2029	1,500,000	4.000	4.080	EU5
2019	5,120,000	5.000	2.310	EJ0	2029	6,655,000	5.000	4.080[2]	FF7
2020	260,000	2.625	2.600	EK7	2030	1,500,000	4.125	4.170	EV3
2020	5,110,000	5.000	2.600	FH3	2030	7,045,000	5.000	4.170[2]	FG5

$34,985,000 5.000% Term Certificate due March 15, 2032, Yield: 4.300%[2] CUSIP: 19668QEW1

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[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 2011G 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, 2021.

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 2011G 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 2011G 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 2011G 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 2011G 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 2011G Certificates and may not be reproduced or used in whole or in part for any other purpose.

The Series 2011G 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 2011G Certificates and the terms of the offering, including the merits and risks involved. The Series 2011G 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 2011G 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 2011G CERTIFICATES, THE UNDERWRITERS MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE SERIES 2011G 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

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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Changes from Preliminary Official Statement

This Official Statement contains changes made to the Preliminary Official Statement dated November 14, 2011, as supplemented on November 22, 2011. Such changes reflect: (i) pricing information; (ii) redemption terms; and (iii) clarifications to footnotes relating to the contingent funding of Projects for Eagle County Charter Academy and the Rocky Mountain Deaf School appearing on pages 4, 12 and 25 hereto. Such changes are reflected in the blacklined modifications to the documents included in Appendix B hereto.

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, Series 2011G (the "**Series 2011G Certificates**"). The Series 2011G 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**"), and a Series 2011G Supplemental Trust Indenture dated as of the date of delivery of the Series 2011G Certificates (the "**2011G 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 and as further supplemented and amended from time-to-time, is referred to as the "**Indenture**"). The Series 2011G Certificates are not the only Series of Certificates (as defined in the forms of Master Indenture and 2011G 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; and (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 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 and the Series 2010F Certificates are collectively referred to herein as the "**Prior Certificates**"). The Prior Certificates and the Series 2011G 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 with 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 the date of delivery of the Series 2011G Certificates (the "**2011G 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 and the 2010D-F Lease are collectively referred to herein as the "**Prior Leases.**" The Prior Leases, the 2011G 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 2011G 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 2011G Certificates to potential investors is made only by means of the entire Official Statement.

Authority for Delivery

The Series 2011G 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 Master Indenture. The 2011G Lease is being entered by the State in order to fund certain Projects already approved by the State Board in 2011 (the "**2011 State Board Approval**") as described in "The Series 2011G Projects" under this caption for the Series 2011G Participating K-12 Institutions in accordance with the Act. See "The Program" and "The Series 2011G 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 2011G 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 2011G 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 2011G 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 Series 2011G Participating K-12 Institutions are to be deposited in the Assistance Fund. The obligation, if any, of a Series 2011G Participating K-12 Institution to pay Matching Moneys to the State will be satisfied by (a) cash delivered at the time the Series 2011G Certificates are delivered or (b) a bond issued by a Series 2011G 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 2011G 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 submit to the State Board for final approval.

The 2011G Lease is being entered into by the State in order to fund certain Projects as further described in "The Series 2011G Projects" under this caption (the "**Series 2011G 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 2011G 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 2011G 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 2011G 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 2011 State Board Approval and by the Colorado General Assembly if the aggregate Rent payable under such future Leases, together with the Rent on, the current 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 2011G Certificates

Proceeds from the sale of the Series 2011G Certificates will be used to finance the Costs of the Series 2011G Projects for the Series 2011G Participating K-12 Institutions, as more fully described in "The Series 2011G Participating K-12 Institutions" under this caption and "PLAN OF FINANCING – The Series 2011G Projects and Series 2011G Participating K-12 Institutions." Proceeds of the Series 2011G 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 2011G Certificates. See "PLAN OF FINANCING – Sources and Uses of Funds" for a description of the estimated uses of proceeds of the Series 2011G Certificates.

The Series 2011G Participating K-12 Institutions

Proceeds of the Series 2011G Certificates are expected to be used to fund the Series 2011G Projects for the benefit of the following entities in Colorado (collectively, the "**Series 2011G Participating K-12 Institutions**"): (1) Big Sandy School District No. 100J (the "**Big Sandy School District**"); (2) Eagle County Charter Academy (within the chartering school district, Eagle County School District No. RE 50 (the "**Eagle County Charter Academy**")[(1)]; (3) Ellicott School District No. 22 in the County of El Paso and State of Colorado (the "**Ellicott School District**"); (4) Englewood School District No. 1 in the County of Arapahoe and the State of Colorado (the "**Englewood School District**"); (5) Horizons K-8 School (within the chartering school district, Boulder Valley School District No. RE 2) (the "**Horizons School**"); (6) Idalia School District RJ-3 (the "**Idalia School District**"; (7) Ignacio School District No. 11 JT (the "**Ignacio School District**"); (8) Prairie School District No. RE-11, in the County of Weld and State of Colorado (the "**Prairie School District**"); (9) Rocky Mountain Deaf School (within the chartering school district, Jefferson County School District No. R-1) (the "**Rocky Mountain Deaf School**")[(2)]; and (10) Sanford School District No. 6 in the County of Conejos and State of Colorado (the "**Sanford School District**"). See "PLAN OF FINANCING – The Series 2011G Projects and Series 2011G Participating K-12 Institutions."

The Series 2011G Projects

The Series 2011G Projects involve various capital projects for the Series 2011G Participating K-12 Institutions approved in the 2011 State Board Approval, at certain funding levels. In accordance with

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(1) Funding of the Project for the Eagle County Charter Academy is contingent upon its determination whether another facility could be used to house its K-8 school. If another facility is found and the Eagle County Charter Academy withdraws from the Program, the State Board is required to allocate funds to another qualified project for a public K-12 institution, to enter into a Site Lease and a Sublease in substantially the form of the 2011G Site Lease and 2011G Sublease, respectively, with such institution and to include the Leased Property subject to the substitute Site Lease and Sublease in the Leased Property.

(2) Funding of the Project for the Rocky Mountain Deaf School is contingent upon satisfaction of certain conditions, including the execution and delivery of a Site Lease and a Sublease by the Rocky Mountain Deaf School in substantially the form of the 2011G Site Lease and 2011G Sublease. If such conditions are not met, the State Board is required to allocate funds to another qualified project for a public K-12 institution, to enter into a Site Lease and a Sublease in substantially the form of the 2011G Site Lease and 2011G Sublease, respectively, with such institution and to include the Leased Property subject to the substitute Site Lease and Sublease in the Leased Property.

the terms of the 2011G Subleases or Participation Agreement between the State and the Series 2011G Participating K-12 Institutions, each of the Series 2011G Participating K-12 Institutions agrees to construct the respective projects, and in accordance with the 2011G Lease, the State has agreed to cause the projects of the Series 2011G Participating K-12 Institutions that will execute and deliver 2011G Subleases (with the exception of the Rocky Mountain Deaf School, which upon the satisfaction of certain conditions, is expected to execute a Participation Agreement instead of a 2011G Sublease) to be constructed by causing such Series 2011G Participating K-12 Institution to comply with its related 2011G Sublease, but no failure of the related Series 2011G Participating K-12 Institution to comply with the relevant provisions of its 2011G Sublease will relieve the State of its obligation to cause the facilities to be constructed. See "PLAN OF FINANCING – The Series 2011G Projects and Series 2011G Participating K-12 Institutions" for further information about the Series 2011G Projects. Projects other than the Series 2011G 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 2011G Lease or a Prior Lease but will require further authorization by the State Board for any Projects not approved in the 2011 State Board Approval and by the Colorado General Assembly if the aggregate Base Rent payable under the 2011G Lease, the Prior Leases and the additional Lease or an amendment to the 2011G 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 2011G Certificates – Additional Series of Certificates" under this caption and "PLAN OF FINANCING – The Program."

The Leased Property

Each of the Series 2011G Participating K-12 Institutions (or, in the case of some charter schools, the chartering entities), except for the Rocky Mountain Deaf School, is entering into a Site Lease with the Trustee dated as of the date of delivery of the Series 2011G Certificates (the "**2011G 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 2011G Certificates) by the respective Series 2011G 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 "**2011G 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 2011G 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 2011G Lease is referred to herein as the "**Leased Property**." The 2011G Leased Property is being leased by the Trustee to the State, pursuant to the 2011G Lease, and the State is subleasing the 2011G Leased Property to the respective Series 2011G Participating K-12 Institutions under certain Subleases each dated as of the date of delivery of the Series 2011G Certificates (the "**2011G 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 2011G Lease will secure all holders of Certificates under the Master Indenture, including holders of the Series 2011G 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 2011G Lease or any other Lease in a particular year, the State would relinquish its right to use all of the Leased Property (including the 2011G Leased Property) or any portion thereof through the term of the respective Site Leases. In such event, the Series 2011G 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 2011G Leased Property under the respective 2011G 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 2011G Certificates

Payments

Principal of and premium, if any, on the Series 2011G Certificates is payable when due upon surrender of the Series 2011G Certificates at the office of the Trustee. Interest on each Series 2011G 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 2011G Certificates are deliverable in the authorized denomination of $5,000 and integral multiples thereof.

Redemption

The Series 2011G Certificates are subject to optional, mandatory and extraordinary redemption prior to their stated maturity date under certain circumstances described herein under "THE SERIES 2011G CERTIFICATES – Redemption."

Additional Certificates

The Master Indenture permits the execution and delivery of Series of Certificates in addition to the Series 2011G Certificates and the Prior Certificates secured by the Trust Estate on parity with the Series 2011G Certificates and the Prior Certificates without notice to or approval of the owners of the Outstanding Series 2011G 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 2011G CERTIFICATES – Additional Series of Certificates." If any additional Certificates are executed and delivered, the Prior Leases or 2011G 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 2011G Certificates, the Indenture pursuant to which such Series 2011G Certificates are being executed and delivered, the 2011G Lease, the 2011G Site Leases and the 2011G Subleases, see "Forms of Master Indenture, Supplemental Indenture, Series 2011G Lease Purchase Agreement, 2011G Site Leases and 2011G Subleases" attached hereto in Appendix B.

Sources of Payment for the Series 2011G Certificates

The Series 2011G 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 2011G 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 2011G Certificates.**

The State has the option to terminate the 2011G Lease and release the 2011G Leased Property from the Indenture in connection with the defeasance of the Series 2011G Certificates by paying the State's Purchase Option Price as described under "THE SERIES 2011G 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 2011G Certificates

Certain factors described in this Official Statement could affect the payment of Base Rent under the Leases (including the 2011G Lease), the value of the Leased Property and could affect the market price of the Series 2011G 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 2011G Certificates, the State will execute a Continuing Disclosure Undertaking in which it will agree, for the benefit of the owners of the Series 2011G 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 2011 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 statues, 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 2011G Participating K-12 Institutions and the purchasers or holders of any of the Series 2011G Certificates.

PLAN OF FINANCING

The Program

The Series 2011G 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 2011-12 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 2011-12.

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 2011G 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 2011-12 and thereafter. See "BASE RENT."

The Colorado General Assembly has established the Program in order to implement the Act. See "INTRODUCTION – The Program." The State Board has 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 2011G Projects. See "The Series 2011G Projects and Series 2011G Participating K-12 Institutions" below for a description of the Series 2011G Projects. The 2011G Lease is the fourth 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 $87,145,000 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 $97,510,000 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 $217,530,000 evidence undivided interests in the right to receive certain payments by the State under the Series 2010D-F 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 2011G 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 2011G Certificates. The execution by the State of future leases or an amendment to the 2011G 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 2011G 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 2011G Certificates are set forth in the following table.

SOURCES OF FUNDS:

Par amount of Series 2011G Certificates	$ 146,635,000
Net Premium	12,777,838
TOTAL SOURCES OF FUNDS	$159,412,838

USES OF FUNDS:

Deposit to Series 2011G Project Accounts of Capital Construction Fund[(1)]	$157,970,673[(1)]
Deposit to State Expense Fund	100,000
For costs of issuance, including Underwriters' discount[(2)]	1,342,165
TOTAL USES OF FUNDS	$159,412,838

(1) The difference between this amount and the aggregate total project cost of $162,325,334 shown in the table under the heading "The Series 2011G Projects and Series 2011G Participating K-12 Institutions" below is $4,354,661 representing certain Series 2011G Project costs that are to be paid from the Assistance Fund in amounts corresponding to Matching Moneys obligations in the form of (i) cash deposited therein at or prior to the execution and delivery of the Series 2011G Certificates, and (ii) 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 and financial advisor's fees. For information concerning the Underwriters' discount, see "UNDERWRITING."

The Series 2011G Projects and Series 2011G Participating K-12 Institutions

The following table describes the Series 2011G Participating K-12 Institutions and Series 2011G Projects expected to be funded with proceeds of the Series 2011G Certificates, moneys in the Assistance Fund in an amount equal to Matching Moneys to be deposited therein when received from such Series 2011G Participating K-12 Institution and total cost of the related Series 2011G Project.

Series 2011G Projects and Series 2011G Participating K-12 Institutions

Series 2011G Participating K-12 Institution	Series 2011G Project Description	Matching Moneys(1)(2)	Total Project Cost
Big Sandy School District	New PK-12 School 83,412 sq. ft. with 34 classrooms	$2,900,663	$26,567,150
Eagle County Charter Academy(3)	New K-8 School 45,000 sq. ft. with 26 classrooms	2,937,679	12,240,332
Ellicott School District	Replace existing Middle School 74,466 sq. ft. with 27 classrooms	2,373,694	18,259,185
Englewood School	Middle School Renovation and Addition to Convert to High School 97,800 sq. ft. with 30 classrooms	8,176,986	17,397,843
Horizons School	K-8 Charter School Renovations and Addition 37,725 sq. ft. with 10 classrooms	916,982	5,984,744
Idalia School District	Major PK-12 Renovations/Replacement 54,000 sq. ft. with 18 classrooms	3,870,029	15,032,700
Ignacio School District	Renovation/Addition of Middle School to become K-8 57,593 sq. ft. with 20 classrooms	9,099,431	14,917,100
Prairie School District	New PK-12 School 57,764 sq. ft. with 20 classrooms	3,457,066	16,478,917
Rocky Mountain Deaf School(4)	New PK-12 Deaf School 46,107 sq. ft. with 18 classrooms	500,000	13,418,446
Sanford School District	Major PK-12 Renovations 88,357 sq. ft. with 32 classrooms	1,197,335	22,028,917
Total		$35,429,865	$162,325,334

(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 2011G Participating K-12 Institution and are to be deposited into the Assistance Fund when received. See the form of 2011G 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 2011G 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 2011G 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) Certain Matching Moneys are to be deposited to the Assistance Fund at or prior to the execution of the Series 2011G Certificates.

(3) Funding of the Project for the Eagle County Charter Academy is contingent upon its determination whether another facility could be used to house its K-8 school. If another facility is found and the Eagle County Charter Academy withdraws from the Program, the State Board is required to allocate funds to another qualified project for a public K-12 institution, to enter into a Site Lease and a Sublease in substantially the form of the 2011G Site Lease and 2011G Sublease, respectively, with such institution and to include the Leased Property subject to the substitute Site Lease and Sublease in the Leased Property.

(4) Funding of the Project for the Rocky Mountain Deaf School is contingent upon satisfaction of certain conditions, including the execution and delivery of a Site Lease and a Sublease by the Rocky Mountain Deaf School in substantially the form of the 2011G Site Lease and 2011G Sublease. If such conditions are not met, the State Board is required to allocate funds to another qualified project for a public K-12 institution, to enter into a Site Lease and a Sublease in substantially the form of the 2011G Site Lease and 2011G Sublease, respectively, with such institution and to include the Leased Property subject to the substitute Site Lease and Sublease in the Leased Property.

Under the 2011G Subleases and the Participation Agreement, if any, the Series 2011G Participating K-12 Institutions will agree to construct and use the respective Series 2011G Projects in a manner which satisfies the restrictions of the Code and the Act. In accordance with the terms of the 2011G Subleases and the Participation Agreement between the State and the Series 2011G Participating K-12 Institutions, each of the Series 2011G Participating K-12 Institutions agrees to construct the respective facilities. In accordance with the 2011G Lease, the State has agreed to cause such Projects (except the project for the Rocky Mountain Deaf School) to be constructed by causing a Series 2011G Participating K-12 Institution to comply with its related 2011G Sublease, but no failure of the related Series 2011G Participating K-12 Institution to comply with the relevant provisions of its 2011G 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 2011G Subleases and Matching Moneys" and "CERTAIN RISK FACTORS – Actions under the 2011G Subleases."

THE SERIES 2011G CERTIFICATES

Generally

General information describing the Series 2011G 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 2011G Site Leases, the 2011G Lease, the 2011G Subleases, the Master Indenture, the 2011G Supplemental Indenture and the forms of Series 2011G Certificates included in the 2011G Supplemental Indenture, all as attached hereto in **Appendix B** hereto.

The Series 2011G 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 March 15, 2012, and semiannually thereafter on September 15 and March 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 2011G Certificates at the office of the Trustee. The Series 2011G 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 2011G Certificates. The Series 2011G 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 2011G 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. 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 2011G Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011G Certificates on DTC's records. The ownership interest of each actual purchaser ("**Beneficial Owner**") of each Series 2011G 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 2011G 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 2011G Certificates, except in the event that use of the book-entry system for the Series 2011G Certificates is discontinued.

To facilitate subsequent transfers, all Series 2011G 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 2011G 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 2011G 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 2011G Certificates may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2011G Certificates, such as redemption, tenders, defaults and proposed amendments to the underlying documents. For example, Beneficial Owners of the Series 2011G Certificates may wish to ascertain that the nominee holding the Series 2011G 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 2011G 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 2011G 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 2011G Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and redemption proceeds on the Series 2011G 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 2011G 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 2011G 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 2011G 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 2011G Certificate and payment of principal and other payments on the Series 2011G Certificates to Direct Participants, Indirect Participants, or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Series 2011G 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 2011G 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 2011G 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 2011G 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 2011G 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 2011G Certificate pursuant to the 2011G Supplemental Indenture and any similar redemption provision applicable to any other Certificate shall be deemed to be the payment in full of such Series 2011G Certificate and such other Certificate, and no Owner of any such Series 2011G 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 2011G 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 2011G 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 2011G Certificates. The Series 2011G Certificates maturing on March 15, 2032 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 2011G Certificates maturing on March 15, 2032 shall be selected for redemption on each mandatory sinking fund redemption date by lot from all remaining Series 2011G Certificates maturing on such date, rounded to the nearest Authorized Denomination.

Mandatory Sinking Fund Redemption Date (March 15)	Principal Amount
2031	$ 6,085,000
2032[(1)]	28,900,000

(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 2011G Certificates of the same Series and with the same maturity date as the Series 2011G 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 2011G Certificates with the same maturity date as the Series 2011G 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 2011G 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 2011G Certificates to be redeemed as part of such mandatory sinking fund redemption on such dates shall be accordingly reduced.

Optional Redemption

The Series 2011G Certificates maturing on and after March 15, 2022 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, 2021, at a redemption price equal to the principal amount of the Series 2011G 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 2011G 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 2011G 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 2011G 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 2011G Certificates called for redemption, which moneys are or will be available for redemption of Series 2011G 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 2011G Certificates called for redemption. The Trustee is required to pay to the Owners of Series 2011G Certificates so redeemed, the amounts due on the Series 2011G Certificates at the Operation Center of the Trustee upon presentation and surrender of the Series 2011G Certificates.

State's Purchase Option Price

State's Option to Purchase all Leased Property in Connection with Defeasance of Series 2011G Certificates

The State has been granted in the 2011G Lease the option to purchase all, but not less than all, of the Series 2011G Leased Property in connection with the defeasance of all the Series 2011G Certificates by paying to the Trustee the "State's Purchase Option Price," subject to compliance with all conditions to the defeasance of the Series 2011G 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 2011G Leased Property as described in this paragraph, the "**State's Purchase Option Price**" is an amount sufficient (i) to defease all the Series 2011G Certificates in accordance with the defeasance provisions of the Indenture and (ii) to pay all Additional Rent payable through the date on which the 2011G 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 2011G Leased Property and the payment, redemption or defeasance of the Outstanding Series 2011G 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 2011G Certificates, and (B) if any Series 2011G 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 2011G Certificates shall be substituted for the Series 2011G 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 2011G 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 2011G 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 2011G Certificates (assuming that the State chooses not to terminate the Leases during the Lease Term, which it has an annual option to do).

	Base Rent Series 2011G Certificates				
Fiscal Year (ended June 30)	Principal Component[1]	Interest Component[1]	Total Prior Certificates Base Rent	Less Expected Federal Direct Payments[2][3]	Total Fiscal Year Net Base Rent[4]
2012	$ 6,435,000	$ 1,830,004	$ 38,474,317	$ (11,425,629)	$ 35,313,692
2013	3,170,000	6,727,418	36,552,212	(9,508,231)	36,941,400
2014	3,270,000	6,600,618	36,526,573	(9,477,645)	36,919,547
2015	4,320,000	6,467,118	36,483,823	(9,437,692)	37,833,249
2016	4,500,000	6,281,118	36,435,943	(9,392,024)	37,825,037
2017	4,715,000	6,071,868	36,383,046	(9,339,210)	37,830,704
2018	4,925,000	5,855,618	36,288,237	(9,243,027)	37,825,828
2019	5,120,000	5,653,468	36,184,283	(9,136,644)	37,821,109
2020	5,370,000	5,397,468	36,067,567	(9,022,293)	37,812,743
2021	5,630,000	5,135,143	35,945,239	(8,900,728)	37,809,654
2022	5,905,000	4,853,643	35,819,402	(8,770,935)	37,807,111
2023	6,185,000	4,567,093	35,664,432	(8,618,696)	37,797,830
2024	6,420,000	4,325,437	35,502,754	(8,455,358)	37,792,833
2025	6,735,000	4,004,437	35,332,742	(8,285,604)	37,786,575
2026	7,065,000	3,667,687	35,035,689	(7,989,136)	37,779,241
2027	7,410,000	3,315,375	34,697,619	(7,652,061)	37,770,933
2028	7,775,000	2,944,875	34,348,754	(7,300,709)	37,767,921
2029	8,155,000	2,556,125	28,813,919	(1,767,121)	37,757,922
2030	8,545,000	2,163,375	28,261,346	(1,213,221)	37,756,500
2031	6,085,000	1,749,250	27,679,947	(635,231)	34,878,966
2032	28,900,000	1,445,000	--	--	30,345,000
Total	$146,635,000	$ 91,612,148[4]	$696,497,843	$(155,571,197)	$779,173,795

(1) There will be credited against the amount of Base Rent otherwise payable under the 2011G 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,"

(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 2011G 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 2011G 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 2011G 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 2011G Lease attached hereto in **Appendix B**, following an Event of Nonappropriation, the Lease Term of the 2011G 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 2011G 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 2011G Site Leases, the 2011G Lease, the 2011G 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 2011G 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 2011G Leased Property). However, the Indenture and the 2011G Lease permit the State to purchase the 2011G Leased Property in connection with the defeasance of all of the Series 2011G Certificates, as described in "THE SERIES 2011G CERTIFICATES – State's Purchase Option Price." The Series 2011G 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 2011G 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 2011G Leased Property as described in "The Leased Property – The 2011G 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 2011G Leased Property, or any Series 2011G Participating K-12 Institution has not exercised the purchase option of its portion of the 2011G Leased Property, the State and such Series 2011G 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 2011G 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 2011G Site Leases, 2011G Lease, the 2011G Subleases and the Indenture attached hereto in **Appendix B**.

The 2011G 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 2011G 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 2011G Leased Property as required by the 2011G Lease and only as to certain liabilities as described in the 2011G Lease. All property, funds and rights acquired by the Trustee upon the nonrenewal of the 2011G 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 2011G Lease and the Indenture), are required to be used to redeem the Series 2011G Certificates, if and to the extent any such moneys are realized. See "CERTAIN RISK FACTORS," and forms of the 2011G Site Leases, 2011G Lease, 2011G 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 2011G Lease) with respect to less than all of the Leased Property (including the 2011G 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 2011G Leased Property) for the State unless the purchase option for all of the Leased Property has been exercised by the State. See "THE SERIES 2011G CERTIFICATES – State's Purchase Option Price." The State may make substitutions, or may consent to substitutions by the Series 2011G Participating K-12 Institutions, of the 2011G Leased Property in accordance with the terms of the 2011G Leases and the respective 2011G Subleases as described in "Substitution of Leased Property" under this caption. Owners of the Series 2011G 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 2011G Certificates to be completed within 18 to 25 months. 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 2011G Certificates, the State is required to certify and is expected to certify to the Trustee that the Fair Market Value of the 2011G Leased Property is at least equal to 90% of the principal amount of the Series 2011G Certificates. See "THE SERIES 2011G CERTIFICATES – Additional Series of Certificates." The following table describes the 2011G Leased Property subject to 2011G Site Leases between the Trustee and the respective 2011G Participating K-12 Institutions as indicated on the table (except for the Rocky Mountain Deaf School):

2011G Leased Property

Participating K-12 Institutions	Description of Leased Property[1]	Land	Fair Market Value[2]
Big Sandy School District	New PK-12 School (83,412 sq. ft./34 classrooms)	33.9 acre parcel of land valued at $55,000	$26,567,150
Eagle County Charter Academy[3]	K-8 School (45,000 sq. ft./26 classrooms)	6.001 acre parcel of land valued at $304,550	12,544,882
Ellicott School	Middle School (74,466 sq. ft./27 classrooms)	8.61 acre parcel of land valued at $10,501	18,269,686
Englewood School District	High School (97,800 sq. ft./30 classrooms)	12.68 acre parcel of land valued at $1,601,788	29,898,745[4]
Horizons School	K-8 Charter School Addition (37,725 sq. ft. with 10 classrooms)[6]	1.045 acre parcel of land valued at $133,266	3,897,153[5]
Idalia School District	PK-12 Gym[6]	1.91 acre parcel of land valued at $291	3,489,704[4][5]
Ignacio School District	Cafeteria, stage and kitchen addition	0.484 acre parcel of land valued at $21,054	1,251,129[4][5]
Prairie School District	PK-12 School (57,764 sq. ft./20 classrooms)[6]	24.394 acre parcel of land valued at $2,486	17,330,615[4]
Rocky Mountain Deaf School[7]	PK-12 Deaf School (46,107 sq. ft./18 classrooms)	To be determined	12,918,446
Sanford School District	Bus barn and building	2.685 acre parcel of land valued at $2,658	7,818,585[4][5]
	Total:		$133,986,095

(1) The 2011G 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 2011G Leased Property is comprised of existing facilities which were not wholly or partially financed with the proceeds of the Series 2011G Certificates.

(2) As defined in the Glossary included in the form of 2011G Supplemental Indenture attached as **Appendix B** hereto.

(3) Funding of the Project for the Eagle County Charter Academy is contingent upon its determination whether another facility could be used to house its K-8 school. If another facility is found and the Eagle County Charter Academy withdraws from the Program, the State Board is required to allocate funds to another qualified project for a public K-12 institution, to enter into a Site Lease and a Sublease in substantially the form of the 2011G Site Lease and 2011G Sublease, respectively, with such institution and to include the Leased Property subject to the substitute Site Lease and Sublease in the Leased Property.

(4) 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 2011G Supplemental Indenture attached as **Appendix B** hereto) and amounts that may be withdrawn from the Assistance Fund to fund construction of the related Project.

(5) 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 2011G Leased Property.

(6) 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."

(7) Funding of the Project for the Rocky Mountain Deaf School is contingent upon satisfaction of certain conditions, including the execution and delivery of a Site Lease and a Sublease by the Rocky Mountain Deaf School in substantially the form of the 2011G Site Lease and 2011G Sublease. If such conditions are not met, the State Board is required to allocate funds to another qualified project for a public K-12 institution, to enter into a Site Lease and a Sublease in substantially the form of the 2011G Site Lease and 2011G Sublease, respectively, with such institution and to include the Leased Property subject to the substitute Site Lease and Sublease in the Leased Property. The land to be included in the 2011G Leased Property for the Rocky Mountain Deaf School has not yet been selected. The Fair Market Value assumes that the deposit to the Project Account will be expended on the Project but does not take into account the value of the land.

The 2011G Subleases and Matching Moneys

In connection with the execution and delivery of the Series 2011G Certificates, the State and each of the Series 2011G Participating K-12 Institutions, except the Rocky Mountain Deaf School, is entering into a 2011G Sublease pursuant to which each of such Series 2011G Participating K-12 Institutions, as Sublessee, will agree, in exchange for use of a portion of the 2011G Leased Property, to pay (subject to their right not to appropriate) all Additional Rent due under the 2011G Lease with respect to such portion of the 2011G Leased Property and the Series 2011G Certificates. The respective Series 2011G Participating K-12 Institution's obligations to pay such amounts under the 2011G Sublease are subject to annual appropriation by such Series 2011G Participating K-12 Institution. Pursuant to the 2011G Subleases, each of the Series 2011G Participating K-12 Institutions has agreed to maintain the respective 2011G Leased Property and to provide all insurance for such 2011G Leased Property as required by the 2011G Lease.

Certain Series 2011G 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 2011G 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 2011G Participating K-12 Institution.

The obligations and rights of a Series 2011G Participating K-12 Institution and the State with respect to the Series 2011G Participating K-12 Institution's Matching Moneys Bonds are independent of the obligations of the Series 2011G Participating K-12 Institution, as Sublessee, and the rights of the State under the 2011G Subleases and, except as otherwise specifically provided in the related 2011G Sublease, (a) the obligations of the Series 2011G Participating K-12 Institution or its chartering entity and the rights of the State with respect to the Series 2011G Participating K-12 Institution's obligations under the Matching Moneys Bonds will survive the termination of the 2011G Subleases and (b) no failure to perform or other action of the State with respect to the 2011G Subleases will affect the State's rights to enforce the obligations of the Series 2011G 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 2011G 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 2011G 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 2011G Leased Property subject to its 2011G Sublease following the occurrence of an Event of Default or an Event of Nonappropriation under the 2011G Lease as described in the forms of 2011G Site Leases, 2011G Lease, 2011G Subleases and the Indenture attached hereto in **Appendix B**. In the 2011G Lease, the Trustee has agreed to notify each Sublessee of the occurrence of an Event of Default or Event of Nonappropriation under any 2011G Lease.

Substitution of Leased Property

The Sublessees are permitted by the respective 2011G Subleases to substitute other property for the respective 2011G 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 2011G 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 2011G 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 2011G Lease or the Series 2011G Participating K-12 Institution's tax covenant set forth in Section 10.04 of the 2011G Subleases. See Section 10.04 in the form of 2011G Subleases in **Appendix B**. Furthermore, the State is permitted under the 2011G Lease to substitute other property for certain 2011G 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 2011G 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 2011G 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 2011G Leased Property is required to be insured by the Series 2011G 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 2011G Lease "- Damage, Destruction and Condemnation," in **Appendix B**. Pursuant to the 2011G Subleases, the Series 2011G Participating K-12 Institutions will undertake to provide such insurance with respect to the respective 2011G Leased Property as required by the 2011G Lease. See "The 2011G 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." 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.

CERTAIN RISK FACTORS

THE PURCHASE AND OWNERSHIP OF THE SERIES 2011G CERTIFICATES ARE SUBJECT TO CERTAIN RISKS. EACH PROSPECTIVE INVESTOR IN THE SERIES 2011G 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 2011G CERTIFICATES AND COULD ALSO AFFECT THE MARKET PRICE OF THE SERIES 2011G 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 2011G 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 2011G Lease), the Lease Term of the 2011G 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 2011G 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 2011G Sublease has been exercised, the Series 2011G 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 2011G 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 2011G Participating K-12 Institutions for the Leased Property (including the 2011G 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 2011G 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 2011G 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 2011G Lease) would mean the loss of the use of all of the Leased Property by the State. However, each of the Series 2011G Participating K-12 Institutions which is a Sublessee has the right to exercise a purchase option under its respective 2011G Sublease in order to purchase and retain the right to use its portion of the 2011G Leased Property in the event that the State chooses not to appropriate and thereby terminate the Leases (including the 2011G 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 2011G 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 2011G Lease – “Events of Default” and “– Remedies on Default” in **Appendix B** and “THE SERIES 2011G 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 2011G 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 2011G 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 2011G Certificates by the State or the Trustee.

Structural Engineering Review of Certain Leased Property

The State has learned that The Neenan Co. (the "Company") has designed and constructed a building for the Meeker School District RE-1 (the "Meeker Building") which is now closed due to design defects. Although the Meeker Building is not part of the Leased Property and was not financed by the State, the Company has designed and constructed or is designing and constructing some of the existing buildings which constitute part of the Leased Property (the "Subject Buildings"). The Subject Buildings include buildings in the following school districts: Alamosa School District No. Re-11J, Sargent Re-33J, Miami-Yoder School District JT-60, Akron School District No. R-1, Mapleton School District, and Monte Vista Consolidated School District No. 8. See "APPENDIX G-Leased Property Relating to Prior Certificates. The aggregate amount of Prior Certificate proceeds which have been deposited into the respective Project Accounts to finance projects involving the Subject Buildings is approximately 35% of the aggregate amount of Certificate proceeds deposited and, in the case of the 2011G Leased Property, expected to be deposited in the respective Project Accounts to finance all of the Leased Property. The Colorado Department of Education has requested the Company to conduct a third-party peer review of the structural engineering of the Subject Buildings. This review is expected to be completed by February, 2012.

Payment of the principal of and interest on the Series 2011G 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." Although the Base Rent is paid in return for the right to use the Leased Property, the Leased Property itself does not generate revenue that will be available to the

State to make the Base Rent payments. The State is not permitted to renew the Leases or any of them (including the 2011G 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. 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 45th 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 2011G Certificates except from funds otherwise available to the Trustee under the Indenture. See "SECURITY AND SOURCES OF PAYMENT."

Effects on the Series 2011G 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 2011G Lease under certain circumstances as provided in the 2011G Lease, upon the treatment for federal or State income tax purposes of any moneys received by the Owners of the Series 2011G Certificates subsequent to such termination. See "TAX MATTERS." If the 2011G 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 2011G Certificates will be transferable without registration, or a transactional exemption from registration, under the federal securities law following the termination of the 2011G 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 2011G Certificates at a price equal to the principal amount thereof outstanding. See “THE SERIES 2011G 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 affect on the interests of the owners of the Series 2011G 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. See also “Effect of Nonrenewal of a Lease – Structural Engineering Review of Certain Leased Property” for a discussion relating to potential design or construction defects in certain Leased Property. 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 2011G 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 2011G Certificate proceeds by private persons or businesses, within the meaning of applicable tax law, could adversely affect the federal tax treatment of Series 2011G 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 (“**OSPB**”) is responsible for developing the General Fund revenue estimate. If the OSPB 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 “– OSPB Revenue and Economic Forecasts.” Additionally, the Colorado Legislative Council also prepares quarterly revenue forecasts which are released on the same dates as the OSPB revenue forecasts.

The most recent OSPB revenue forecast was issued on September 20, 2011 (the “**OSPB September 2011 Revenue Forecast**”) and is summarized in this Official Statement. See “STATE FINANCIAL INFORMATION” and **Appendix E** – “THE STATE GENERAL FUND – Revenue Estimation” and “ – OSPB Revenue and Economic Forecasts.” The OSPB September 2011 Revenue Forecast stated that the Unappropriated Reserve is not expected to be fully funded but the shortfall will not be sufficient to trigger statutory budget balancing measures by the Governor. See **Appendix E** – “THE STATE GENERAL FUND – Revenue Estimation – Revenue Shortfall” and “– Budgetary Reduction Measures for Fiscal Year 2011-12.”

The next OSPB revenue forecast will be released in December 2011. 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 2011 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 2011-12 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 2011G 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 38th 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, 2010 AND STATE OF COLORADO UNAUDITED BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011" 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, 2010 AND STATE OF COLORADO UNAUDITED BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011," ***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 Long Appropriation Bill (the "**Long Bill**"), designates resources that constitute the TABOR Reserve. For Fiscal Year 2010-11, the TABOR Reserve is estimated to be $264,7 million, which includes $70.7 million of State real property designated in the Long Bill and the portion of the $100 million Wildlife Cash Fund that is not in the form of cash or liquid assets, which amount will not be known until the State's audited financial statements for Fiscal Year 2010-11 are released in December 2011.

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.

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 15th 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 1st 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. Based on the OSPB September 2011 Revenue Forecast, State fiscal year spending is expected to exceed the TABOR limit by $770.3 million and $839.0 million in Fiscal Years 2010-11 and 2011-12, respectively. However, Fiscal Year spending is expected to be at least $1.2 billion below the excess State Revenue Cap for Fiscal Year 2010-11 through Fiscal Year 2013-14. As a result, no refunds are expected in Fiscal Year 2010-11 or in the forecast period. See APPENDIX E – THE STATE GENERAL FUND – General Fund Overview."

Effect of TABOR on the Series 2011G Certificates

Voter approval under TABOR is not required for the execution and delivery of the Series 2011G 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 for each department 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 2011-12 was adopted by the General Assembly on April 26, 2011.

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 2011-12 was approved in part and disapproved in part by the Governor on May 6, 2011. On May 11, 2011, the Senate and the House voted to override the Governor's vetoes.

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. SB 11-156 sets the Unappropriated Reserve for Fiscal Year 2010-11 at 2.3% of the amount appropriated for expenditure from the General Fund in such Fiscal Year. SB 11-156 also requires the State Treasurer to transfer any General Fund surplus to the State Education Fund, although 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 exceeds the amount forecasted by OSPB in the March 2011 revenue forecast, up to $67.5 million, is to be transferred to the State Public School Fund, and the balance is to be credited to the State Education Fund. In such circumstances, the Unappropriated Reserve for Fiscal Year 2011-12 increases to 4.0% of the amount appropriated for expenditure from the General Fund in such Fiscal Year.

The State's unaudited Fiscal Year 2010-11 Basic Financial Statements show that the State ended such Fiscal Year with $294.4 million in General Fund surplus, which is in excess of the required 2.3% Unappropriated Reserve level and will be transferred as described in the previous paragraph. The OSPB September 2011 Revenue Forecast states that the strong growth in revenue in Fiscal Year 2010-11 is expected to be one-time in nature, and that Fiscal Year 2011-12 General Fund revenue is forecast to be essentially flat. As a result, based on current law appropriations, the OSPB forecasts that the State will end Fiscal Year 2011-12 with an Unappropriated Reserve equal to 3.7% of appropriations, which is $18.3 million below the required 4.0% Unappropriated Reserve level.

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) 6% over 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 2009-10 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 2009-10 CAFR, including the State Auditor's Opinion thereon, and the State's unaudited Fiscal Year 2010-11 Basic Financial Statements ("**BFS**") are appended to this Official Statement as **Appendix A**. The CAFR for the Fiscal Year Ended June 30, 2011 is expected to be released to the public by the State and be available on or about December 31, 2011. 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 2009-10 CAFR or on the Fiscal Year 2011 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 Note 14 to the State's unaudited Fiscal Year 2010-11 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, 2011, the minimum lease payments due under lease-purchase agreements entered into by the State were estimated to be $90.70 million in Fiscal Year 2011-12 and $101.41 million in Fiscal Year 2012-13. See Notes 24 and 40 to the audited financial statements included in the State's CAFR for Fiscal Year 2009-10 and Notes 24 and 42 to the State's unaudited Fiscal Year 2010-11 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, 2011, but before publication of the Fiscal Year 2010-11 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, 2011, the minimum lease/rental payments due for buildings and/or equipment for Fiscal Year 2011-12 and Fiscal Year 2012-13 were estimated to be $89.91 million (unaudited) and $77.12 million (unaudited), respectively. See Note 22 to the unaudited Fiscal Year 2010-11 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 (unaudited) 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.

On December 15, 2010, the Colorado Bridge Enterprise, an enterprise of CDOT, issued $300 million of revenue bonds payable primarily from a bridge safety surcharge imposed with vehicle registration fees. The owners of such bonds may not look to revenues of CDOT or the State for payment of principal and interest on such bonds.

On September 1, 2011, the Colorado High Performance Transportation Enterprise, another enterprise of CDOT, entered into a loan agreement with the United States Department of Transportation in connection with a loan to such enterprise in a principal amount not to exceed $54 million. Such loan does not create a debt or other financial obligation of either CDOT or the State.

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, 2011, see Notes 24 and 42 to the State's unaudited Fiscal Year 2010-11 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." For a detailed discussion of the Plan, the defined contribution plan and PERA, see Notes 18, 19 and 20 to the State's Fiscal Year 2009-10 CAFR and the State's unaudited Fiscal Year 2010-11 BFS appended to this Official Statement and PERA's Comprehensive Annual Financial Report for calendar year 2010 (the "PERA 2010 CAFR"). The information in the State's Fiscal Year 2009-10 CAFR is based on PERA's Comprehensive Annual Financial Report for calendar year 2009; however, the information under this caption has been updated with information from the PERA 2010 CAFR released in June 2011. The information in the State's unaudited Fiscal Year 2010-11 BFS is based on PERA's Comprehensive Annual Financial Report for calendar year 2010.

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, 2010 (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 \$12.8 billion and \$20.4 billion, respectively, resulting in an unfunded actuarial accrued liability ("**UAAL**") of \$7.6 billion and a funded ratio of 62.8%. The UAAL at December 31, 2010, would amortize over a 47-year period based on contribution rates as of the date of calculation (*i.e.*, contributions equal to the SRC)[(1)]. 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 62.8%. The funded ratio of the Plan at December 31, 2010, based on the market value of assets, was 61.3%, 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 2009-10 CAFR appended to this Official Statement. Calculation of the UAAL and the ARC is based on numerous assumptions,

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(1) 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 47-year amortization of the UAAL at December 31, 2010.

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 2011 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, 2010, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.4 billion, a funded ratio of 17.5% 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, 2010. Although at December 31, 2010, the funded ratio of the Health Care Trust fund was 17.5%, the benefit is a fixed limited subsidy of the retiree's health care insurance premium payment, and the retiree bears all risk of medical cost inflation. See Notes 10 and 11 to the PERA 2010 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 July 2011, the State issued $500.0 million of General Fund Tax Revenue Anticipation Notes and $100.0 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 2012, 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 2011G 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 2011G Certificates or questioning or affecting the validity of the Series 2011G 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 2011G 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 Regent 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.

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, 6I, 21 and 39 to the State's Fiscal Year 2009-10 audited CAFR and Notes 6H, 6I, 21 and 42 to the State's unaudited Fiscal Year 2010-11 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 39 to the financial statements in the State's Fiscal Year 2009-10 CAFR and Note 42 to the State's unaudited Fiscal Year 2010-11 BSF appended to this Official Statement as **Appendix A**. The State Attorney General does not believe that any actions described in Note 42, or any combination thereof, will result in a materially adverse effect with regard to the financial resources of the State, or the continuous operation thereof, or the security for the Series 2011G Certificates. There can be no assurance, however, 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. The State Attorney General also does not believe that since June 30, 2011, there have been any material actions initiated in which the State is a defendant that will result in a materially adverse effect with regard to the financial resources of the State, or the continuous operation thereof, or the security for the Series 2011G Certificates.

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 2011G 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 2011G 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 2011G 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

2011G 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 2011G Participating K-12 Institutions and others with such covenants. Failure to comply with such requirements could cause interest on the Series 2011G Certificates to be included in gross income retroactive to the date of issue of such Series 2011G 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 2011G 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 2011G Certificates may otherwise affect the federal income tax liability of the owners of the Series 2011G 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 2011G 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 2011G 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 2011G Certificates, or any other federal tax consequences related to the ownership or disposition of the Series 2011G Certificates.

Tax Treatment of Original Issue Discount. The Series 2011G 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 2011G 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 2011G 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 2011G 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 2011G 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 2011G 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 2011G Certificates subsequent to such termination, or other tax consequences related to the ownership or disposition of the Series 2011G 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 2011G Certificates. An example is the American Jobs Act of 2011 (S. 1549), proposed by the President and introduced in the Senate on September 13, 2011. If enacted as introduced, a provision of S. 1549 would limit the amount of exclusions (including tax-exempt interest) and deductions available to certain high income taxpayers for taxable years after 2012, and as a result could affect the market price or marketability of the Series 2011G 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 2011G 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 2011G Certificates or the market value thereof would be impacted thereby. Purchasers of the Series 2011G 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 2011G 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 2011G Certificates are to be purchased by the Underwriters listed on the front cover page of this Official Statement at a price equal to $158,788,239.20 (representing the aggregate principal amount of the Series 2011G Certificates of $146,635,000 plus net original issue premium of $12,777,837.90 less an aggregate underwriting discount of $624,598.70). The Underwriters have agreed to accept delivery of and pay for all the Series 2011G 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 2011G Certificates, the approval of certain legal matters by counsel and certain other conditions. The Underwriters may offer and sell the Series 2011G Certificates to certain dealers (including dealers depositing such Series 2011G 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.

Wells Fargo Securities is a trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National

Association ("**WFBNA**"). WFBNA, one of the underwriters of the Series 2011G Certificates, has entered into an agreement (the "Distribution Agreement") with Wells Fargo Advisors, LLC ("**WFA**") for the retail distribution of certain municipal securities offerings, including the Series 2011G Certificates. Pursuant to the Distribution Agreement, WFBNA will share a portion of the underwriting or remarketing agent compensation, as applicable, with respect to the Series 2011G Certificates with WFA. WFA is also a subsidiary of Wells Fargo & Company.

LEGAL MATTERS

Legal matters relating to the validity of the Series 2011G Certificates are subject to the approving opinion of Kutak Rock LLP, Denver, Colorado, as Bond Counsel, which will be delivered with the Series 2011G 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 2011G 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 2011G 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 2011G Certificates.

RATINGS

Standard & Poor's Ratings Services has assigned the Series 2011G Certificates a rating of " AA-" and Moody's Investors Service has assigned the Series 2011G 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 2011G Certificates and the 2011G 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 2011G Certificates. Neither the State, the Financial Advisor (hereinafter defined) nor any Underwriter undertakes any responsibility to oppose any such revision, suspension or withdrawal.

FINANCIAL ADVISOR

The State has retained Piper Jaffray & Co., Denver, Colorado as financial advisor (the "**Financial Advisor**") in connection with the Series 2011G Certificates and with respect to the authorization, execution and delivery of the Series 2011G Certificates. *The Financial Advisor is not obligated to undertake, and has 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

Financial Advisor will act as an independent advisory firm and will not be engaged in underwriting or distributing the Series 2011G Certificates.

CONTINUING DISCLOSURE

In connection with its execution and delivery of the Series 2011G 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 2011G 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, 2011, 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 2011G 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

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APPENDIX A

State of Colorado Comprehensive Annual Financial Report
for the Fiscal Year ended June 30, 2010
and
State of Colorado Unaudited Basic Financial Statements
for the Fiscal Year ended June 30, 2011

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Comprehensive Annual Financial Report

Bill Ritter, Jr.
Governor

For the Fiscal Year Ended June 30, 2010

Department of Personnel & Administration
Rich L. Gonzales, Executive Director
David J. McDermott, State Controller

REPORT LAYOUT

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes the controller's transmittal letter and the state's organization chart. The Financial Section includes the auditor's opinion, management's discussion and analysis, the basic financial statements, and the combining statements and schedules. The Statistical Section includes fiscal, economic, and demographic information about the state.

INTERNET ACCESS

The Comprehensive Annual Financial Report and other financial reports are available on the State Controller's home page at:

http://www.colorado.gov/dpa/dfp/sco/

STATE OF COLORADO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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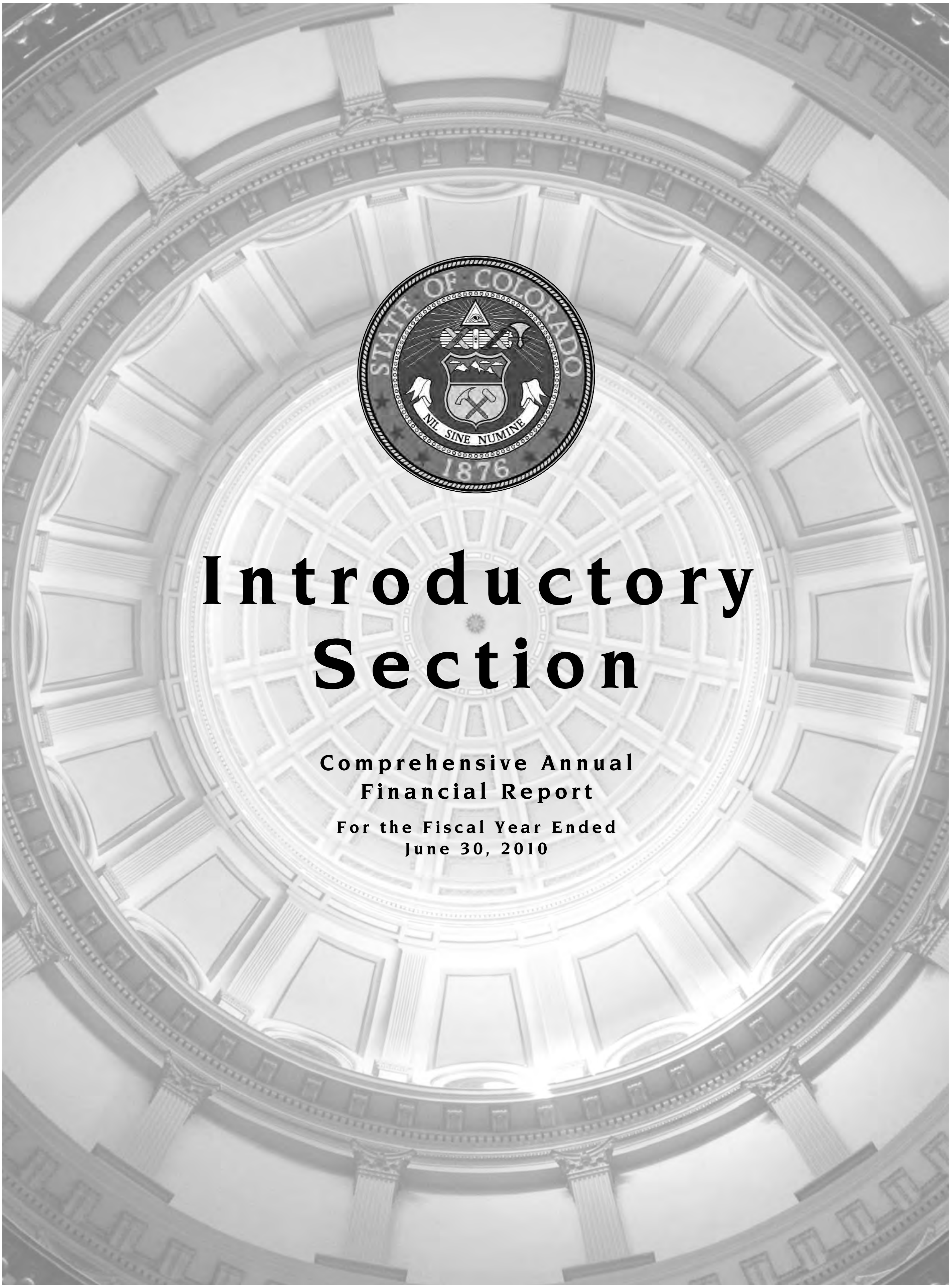
STATISTICAL SECTION



Introductory Section

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2010

State of Colorado

Bill Ritter, Jr.
Governor

Rich Gonzales
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
Phone (303) 866-6200
Fax (303) 866-4233
www.colorado.gov/dpa

December 17, 2010

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, 2010. 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

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.

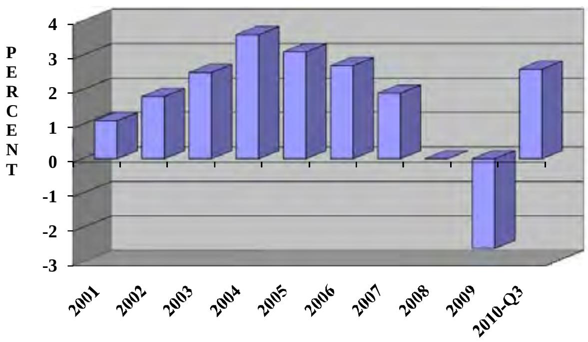
The Legislature is bicameral and comprises thirty-five senators and sixty-five representatives who are also term limited. It is a citizen legislature whose general session lasts 120 days beginning in January of each year. Special sessions may be called by the Governor at his discretion and are limited 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 21 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 a declining rate of growth in Fiscal Year 2009-10; General Fund revenues decreased by $69.0 million (1.1 percent) from the prior year. This decline followed a 13.1 percent decline in Fiscal Year 2008-09. In absolute dollars, the Office of State Planning and Budgeting (OSPB) reports personal income in the State decreased by approximately 2.2 percent for 2009 and is forecast to increase by 1.7 percent for 2010. State nonagricultural employment levels significantly declined with 106,100 jobs lost in 2009 and 37,200 forecast to be lost in 2010.

PERCENT CHANGE IN REAL GROSS DOMESTIC PRODUCT



The Bureau of Economic Analysis reports that inflation adjusted national gross domestic product (GDP) declined at an annual rate of (2.6) percent in calendar year 2009 but grew at an annualized rate 2.6 percent in the third quarter of 2010. Inflation adjusted GDP increased 3.2 percent from the third quarter of 2009 to the third quarter of 2010 (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 were up 2.0 percent, while private domestic investment (including nonresidential structures, equipment and software, residential investments, and changes in inventories) was up 23.4 percent in aggregate. The largest increase in the private domestic investment category was equipment and software investments which increased by 19.1 percent. However, residential investment declined 5.6 percent (which would have been the eighteenth consecutive quarter of decline – if not for a 4.8 percent increase in the second quarter of 2010) and private domestic investment related to nonresidential structures declined by 14.0 percent. Government spending lagged the quarter-over-quarter growth rate at 1.2 percent largely related to a 1.2 percent decrease in state and local government, which comprises about 60 percent of government spending, even though nondefense federal expenditures increased 8.2 percent. Quarter-over-quarter exports increased by 12.6 percent and imports grew by 16.1 percent, resulting in a net reduction impact on GDP.

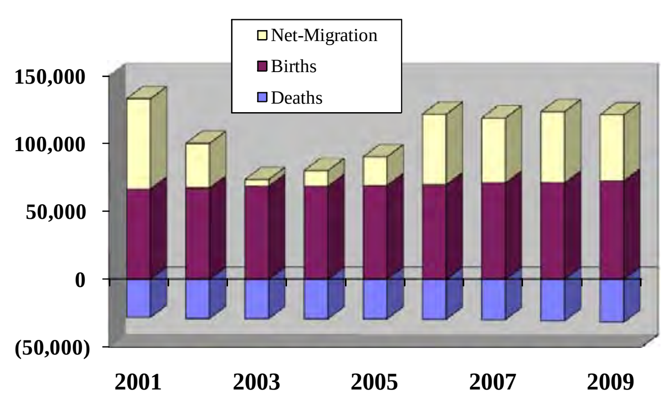
The national economy is continuing through a prolonged, anemic recovery resulting from the credit and housing boom and bust of the past two decades. The September, 2010 Economic and Revenue Forecast of the Colorado Legislative Council observed that:

> "…credit remains constrained, home values are flat or falling, construction is at record low levels, and unemployment remains uncomfortably high. Though the economy has slowed since its initial recovery trajectory as fiscal stimulus and the rebuilding of inventories have waned, it is still growing and businesses continue to add workers, albeit gradually. Exports of the nation's products continue to increase, especially to Asia and other areas that are growing robustly, helping the nation's manufacturing sector to expand. These positive factors, among others, such as sustained increases in consumer spending, relatively high levels of business spending on equipment and software, and early signs of a loosening of credit, will help the economy to continue growing. However, economic and job growth will be restrained by reduced credit availability and major adjustments in the housing and consumer sectors. Higher levels of uncertainty and cautiousness are also contributing to the current sluggish economy."

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 which leaves households in a weaker financial state and the consumer reluctant to spend. Businesses remain uncertain as to the path of the recovery, and that uncertainty coupled with tight credit-market conditions has left businesses unwilling to spend and undertake new investments. Mixed signals exist regarding the pace of economic recovery in Colorado, and employment has yet to develop a discernable trend.

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

COMPONENTS OF COLORADO'S POPULATION CHANGE



stronger and its unemployment being lower than most other regions of the United States. The information in the adjacent chart is based on current Census Bureau estimates, all of which were revised again during the past year.

The OSPB September 20, 2010 quarterly estimate predicts that Colorado's recovery from the recession will continue throughout calendar years 2010 and 2011, 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 7.9 percent for 2010 compared with 7.3 percent and 4.9 percent in 2009 and 2008, respectively, and it is expected to slightly decrease in 2011 to 7.7 percent.
- Wages and salary income will increase by 0.4 percent in 2010 and by 4.7 percent in 2011 before increasing to 5.0 percent growth in 2012.
- Total personal income will increase by 1.7 percent in 2010 before increasing by 4.2 percent in 2011.
- Net in-migration is expected to be 43,700 in 2010 and 39,200 in 2011 with total population growth of about 1.7 percent and 1.6 percent in each year, respectively.
- Retail trade sales will increase 5.4 percent in 2010 before increasing by 7.2 percent in 2011.
- Colorado inflation will increase to 1.0 percent in 2010 and 1.8 percent in 2011.

MAJOR GOVERNMENT FISCAL INITIATIVES

The General Assembly enacted and the Governor signed a large number of bills during the 2010 session. However, in a declining revenue environment, 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 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:

- 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 modifications to the level of contributions and benefits of the plan. Those modifications included increasing the amounts to be contributed by employers over the long term and decreasing employer contribution in the short term, increasing employee contributions in the short term, reducing retirees' annual increases, modifying benefit calculations and eligibility, and creating new contribution guidelines for working retirees.
- Due to changes in federal law regarding the guarantees of student loans, the General Assembly repealed the authority of the Colorado Student Obligation Bond Authority (CollegeInvest) in the Department of Higher Education, to originate, disburse, service, or administer any new student loans guaranteed by the federal government. The change resulted in CollegeInvest selling its student loan portfolio and related revenue bonds at a loss. The loans and bonds were each reported at approximately $1.7 million in Fiscal Year 2009-10.
- In light of recurring reductions in discretionary budget allocations to institutions of higher education, the General Assembly provided the institution governing boards with authority to set tuition rates within a 9 percent annual increase limit, which can be exceeded with approval from the Colorado Commission on Higher Education. Changes were also enacted regarding admissions, financial aid, exemption from State fiscal rules, capital construction, and real estate acquisitions.
- The State Medical Marijuana Licensing Authority was created in the Department of Revenue; related fees will be used in part to cover the costs of licensing, regulation, audit, and investigation of marijuana cultivators, manufacturers, and dispensaries. A portion of the sales tax generated by medical marijuana will be used to support substance abuse programs and to regulate the industry.
- The General Assembly appropriated $36.0 million over the next three years to purchase Colorado's allocation of water from the Animas-LaPlata Project in Southwest Colorado for potential reallocation under contract to local governments.
- An amendment to the "Public School Finance Act of 1994" was enacted to modify the funding for K-12 public schools in Fiscal Year 2010-11, and resulted in a total reduction of $365.4 million, or 6.35 percent of total program funding for school districts and institute charter schools. A reduction for Fiscal Year 2011-12 is also expected, but an amount has not yet been specified.
- The General Assembly decreased General Fund expenditures by an estimated $188.2 million over the next two years by removing the seniors' property tax exemption. It also increased General Fund revenues by an estimated $55.5 million over the next two years by placing a cap on tax credits for conservation easements donated through 2013, and it increased General Fund revenues by an indeterminate amount through five bills that removed other income tax credits or similar tax provisions. Eight House bills were enacted that affected sales taxes primarily by removing sales tax

exemptions, which is estimated to increase revenue $189.1 million over the next two years. A total of 41 House and Senate bills were enacted increasing fee revenue by an estimated $17.6 million over the next two years.

The State expended $2,461.8 million of American Recovery and Reinvestment Act (ARRA) funds in Fiscal Year 2009-10 – 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 $418.4 million from various cash funds in Fiscal Year 2009-10 to augment General Fund revenues and to prevent a deficit fund balance. The General Fund required reserve was maintained at two percent, which is half the normal four percent reserve and less than one third of the reserve required by statutes that increase the reserve to 6.5 percent in Fiscal Year 2016-17 and beyond.
- The General Assembly reduced the Fiscal Year 2009-10 appropriation for the State's share of local school district's total program funding by approximately $177.0 million of funding from the State Education Fund, which was offset with approximately $216.0 million of federal ARRA funds resulting in a Fiscal Year 2009-10 net supplemental appropriation increase of approximately $39.0 million.
- The General Assembly enacted various transfers and diversions of tobacco Master Settlement Agreement money and refinancing of the Children's Basic Health Plan with cash funds resulting in approximately $11.5 million in additional General Fund money and reduced spending obligations for Fiscal Years 2009-10 through 2011-12. 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 the Children's Basic Health Plan and Medicaid. As a result, $55.6 million of General Funded Medicaid expenditures were refinanced with tobacco tax moneys. Similar refinancing totaling $53.9 million was enacted for Fiscal Year 2010-11.

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 is convinced to approve an appropriation rollforward based on extenuating circumstances. Capital construction appropriations are normally effective for three years.

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. 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 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. Encumbrances in the General Fund are not reported as a reservation of fund balance unless the related appropriations are approved for rollforward to the subsequent fiscal year. Fund balance is reserved for encumbrances that represent legal or contractual obligations in the Capital Projects Fund and the Department of Transportation's portion of the Highway Users Tax Fund.

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, 2009. 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

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, 2009

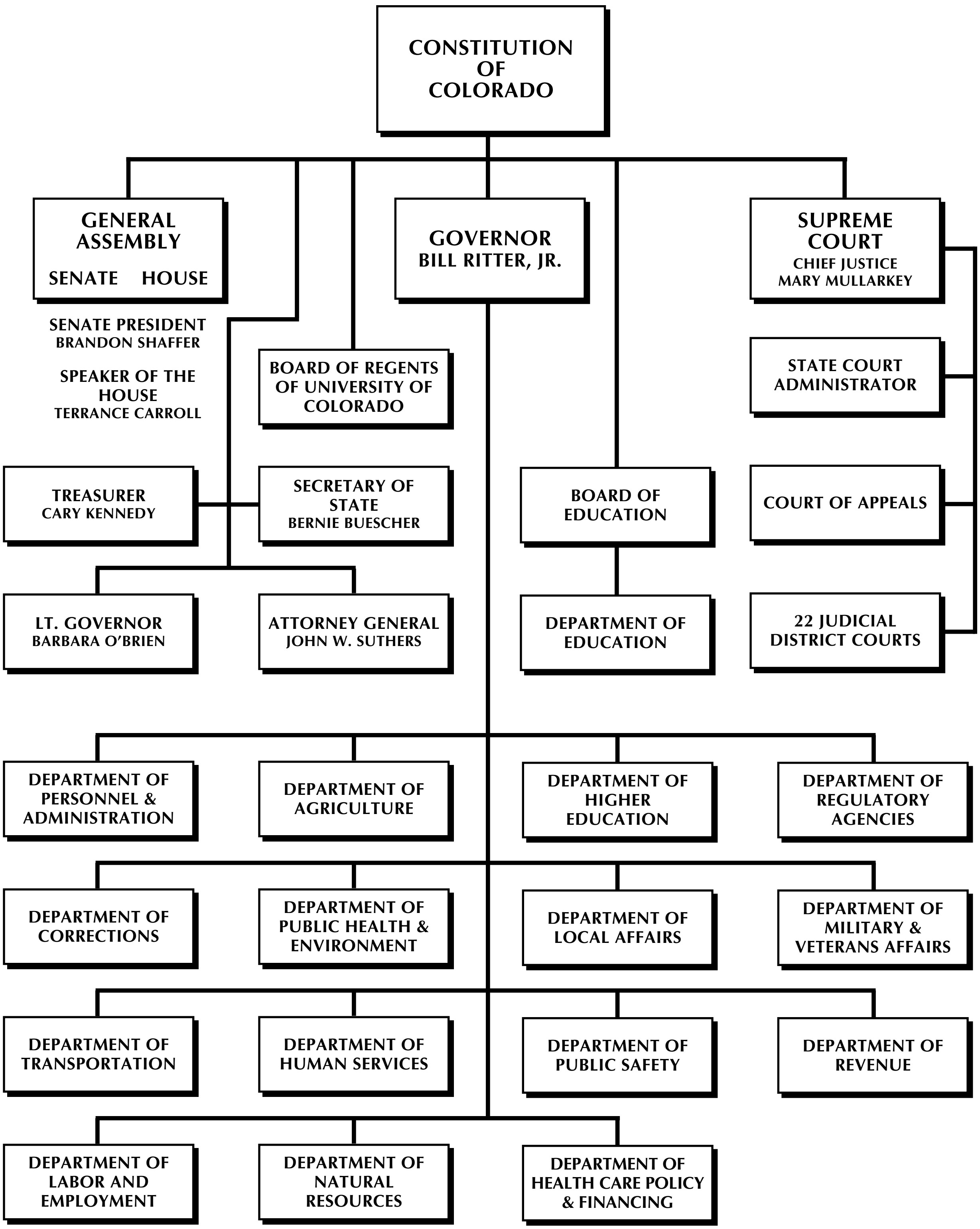
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

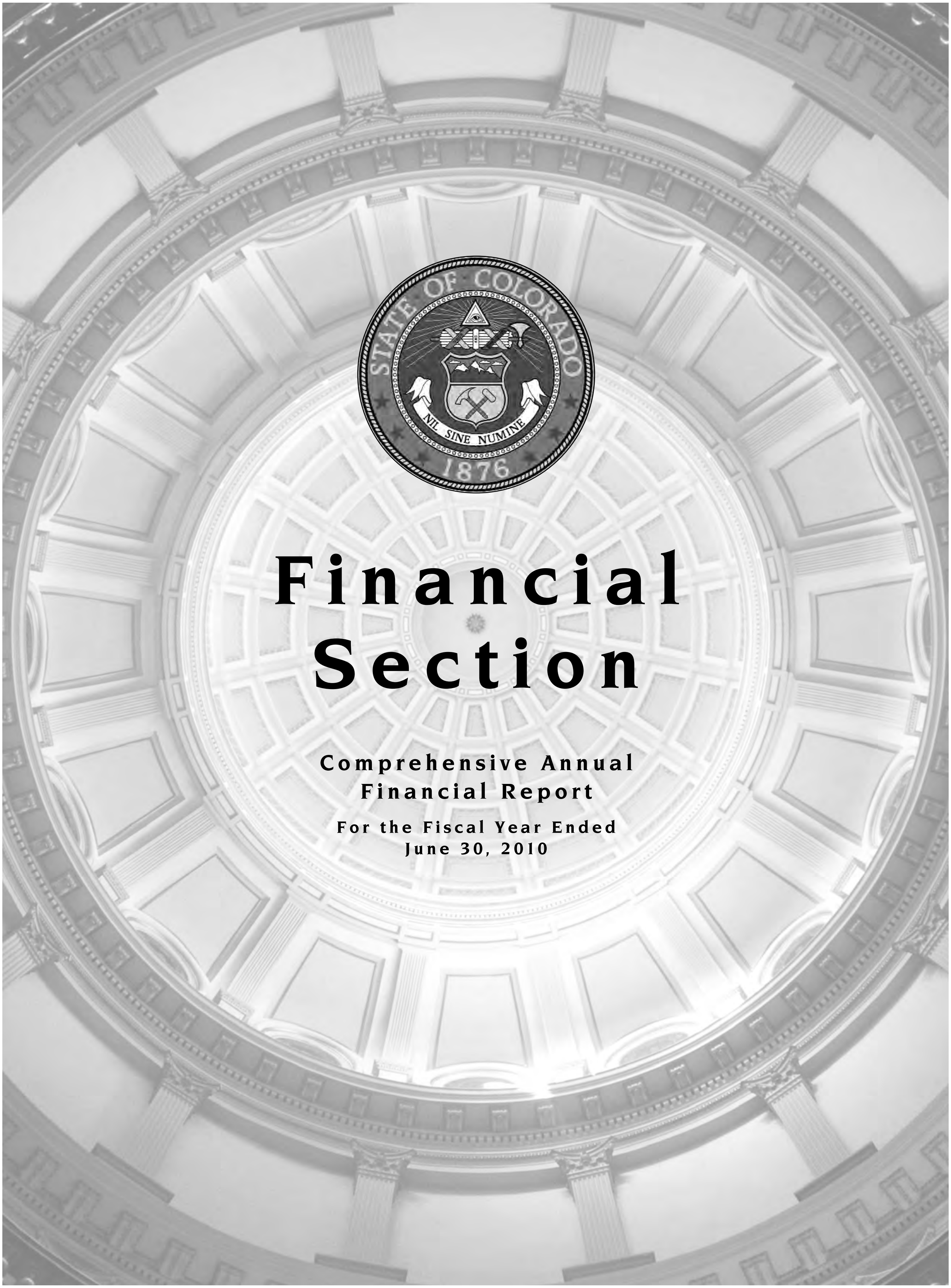
GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

PRINCIPAL ORGANIZATIONS AND KEY OFFICIALS





Financial Section

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2010

Office of the State Auditor

Sally Symanski, CPA
State Auditor

December 17, 2010

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 aggregate 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, 2010, 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 aggregate 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 aggregate 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 total assets, 5 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, University of Northern Colorado Foundation, Colorado School of Mines Foundation, discretely presented 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

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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.

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Colorado, as of June 30, 2010, 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 29 to the financial statements, in Fiscal Year 2009-10 the Colorado Department of Transportation changed from the modified approach to the depreciation approach for the State's roadway infrastructure because resources were no longer available to maintain the roads at the established condition level. In the process of changing to the depreciation approach, the beginning net asset balance for roads was decreased by approximately $601 million to correct for an error in the valuation of roads when infrastructure was recorded in Fiscal Year 2001-02. This is reported as a prior period adjustment. The change to the depreciation approach also resulted in a decrease to the beginning net asset balance for roads of approximately $449 million because of removal of roads that were under the capitalization threshold or fully depreciated, which is reported as a change in accounting principle. In addition, as described in Note 16, under the change in approach the roads were depreciated in the current fiscal year, which is considered a change in accounting estimate.

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 on pages 1 and 2 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We 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.

Sally Symanski

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 $13,455.3 million, a decrease of $2,021.9 million as compared to the prior year amount of $15,477.2 million. The largest portion of the decrease was a reduction in capital assets of $1,513.4 million. This decrease was primarily due to $869.3 million of first year depreciation related to the Colorado Department of Transportation transitioning from the modified approach to the depreciation approach for reporting its roadways infrastructure. That transition also resulted in a $600.7 million prior period adjustment and a $448.7 million change in accounting principle. The $600.7 million adjustment is the result of errors in the initial valuation of roadways recorded at the inception of GASB Statement No. 34 in Fiscal Year 2001-02. The $448.7 million reduction was related to removing roadways from the accounting records for which the most recent construction was before the State's maximum infrastructure depreciation period. These reductions were offset by $524.1 million of capital asset additions, primarily Construction in Progress. Additional causes of the decrease in Net Assets include a reduction in cash and restricted cash balances of $495.2 million, primarily related to using existing resources in the General Fund ($248.4 million), the Capital Projects Fund ($149.5 million), and the State Education Fund ($141.0 million) to complete construction projects and to backfill general-purpose revenue shortfalls. Assets of the State's business-type activities exceeded liabilities by $4,746.5 million, a decrease of $133.6 million as compared to the prior year amount of $4,880.1 million. The overall decrease was the result of the following net asset changes: an increase of $410.8 million in Higher Education Institutions, a decrease of $508.8 million in Unemployment Insurance, a decrease of $100.6 million in CollegeInvest, and an increase of $63.3 million in Other Enterprises. In total, net assets of the State decreased by $2,155.5 million to $18,201.8 million.

Fund Level:

Governmental fund assets exceeded liabilities resulting in total fund balance of $4,676.3 million (prior year $4,785.1 million), of which, $3,241.2 million (prior year $3,308.3 million) was reserved, and the balance of $1,435.1 million (prior year $1,476.8 million) was unreserved. In total, governmental fund balances decreased $108.8 million from the prior year due to decreases in the General Fund, the Highways Users Tax Fund (HUTF), and the State Education Fund, which were partially offset by increases in the Capital Projects Fund and the Other Governmental Funds. The General Fund decrease included use of the statutory reserve to offset revenue shortfalls. While all revenues and expenditures contributed to the $319.6 million decrease in the General Fund fund balance, the change included a reduction in augmenting transfers from $815.3 million in Fiscal Year 2008-09 to $418.4 million in Fiscal Year 2009-10. The HUTF decreased primarily due to the discontinuation of statutory transfers from other governmental funds including the General Fund, Capital Projects Fund, and the Gaming Fund. The Capital Projects Fund increased primarily due to proceeds of Certificates of Participation from the Ralph L. Carr Justice Complex and Colorado History Center projects. The Other Governmental Funds increased due to $187.7 million of Certificates of Participation from the Build Excellent Schools Today (BEST) program and because revenues and transfers-in increased more than expenditures and transfers-out. On the basis of generally accepted accounting principles (GAAP), the unreserved undesignated fund balance of the General Fund was a deficit of ($30.8) million and a surplus of $155.4 million at June 30, 2010, and June 30, 2009, respectively. In addition (on the GAAP basis), the State was $132.6 million short of the amount of net assets required for the statutorily mandated two percent reserve. The reserve requirement was reduced through legislation from four percent to two percent for Fiscal Years 2008-09 and 2009-10; that legislation restored the reserve to four percent for Fiscal Years 2010-11 and 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 $4,746.5 million (prior year $4,880.1 million), of which, $3,586.6 million (prior year $3,850.7 million) was restricted or invested in capital assets, and the balance of $1,159.9 million (prior year $1,029.4 million) was unrestricted. The total decrease of $133.6 million in Enterprise Fund net assets primarily occurred in the Unemployment Insurance Fund, a reduction of $508.8 million due to borrowing from the federal government to support benefits paid, and lower investment balances in the CollegeInvest Fund made necessary by a $79.6 million loss on disposal of their student loan portfolio and a $44.8 million transfer to the General Fund. These decreases were partially offset by a $410.8 million increase in the Higher Education Institutions net assets primarily in the form of capital assets, cash, and investments that resulted from unrealized gains on investments, capital contributions, and other transfers from the State, as well as gifts and donations. Cash and capital assets also increased in the Other Enterprise Funds resulting in a net asset increase of $63.3 million. This increase occurred primarily in the Wildlife Fund ($31.7 million) and the newly created Statewide Bridge Enterprise Fund ($47.0 million).

Debt Issued and Outstanding:

The outstanding governmental activities' notes, bonds, and Certificates of Participation at June 30, 2010, were $2,197.4 million (prior year $1,784.0 million), which is 33.8 percent (prior year 27.0 percent) of financial assets (cash, receivables, and investments) and 11.9 percent (prior year 8.9 percent) of total assets of governmental activities. The governmental activities debt is primarily 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 $2,783.3 million (prior year $4,003.0 million). The $1,219.7 million reduction in revenue bonds from the prior year is primarily related to CollegeInvest retiring, as required by statute, $1,701.3 million of bonds that previously supported the purchase and origination of student loans. The remaining outstanding revenue bonds are primarily 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 limit for Fiscal Years 2005-06 through 2009-10. However, due to the economic downturn, the State did not have revenues in excess of the TABOR limit for Fiscal Year 2009-10; 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, 2010. (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. 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 well suited to showing amounts available for appropriation. The governmental fund type includes the General Fund, Special Revenue Funds, the Debt Service Fund, the 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 several 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.

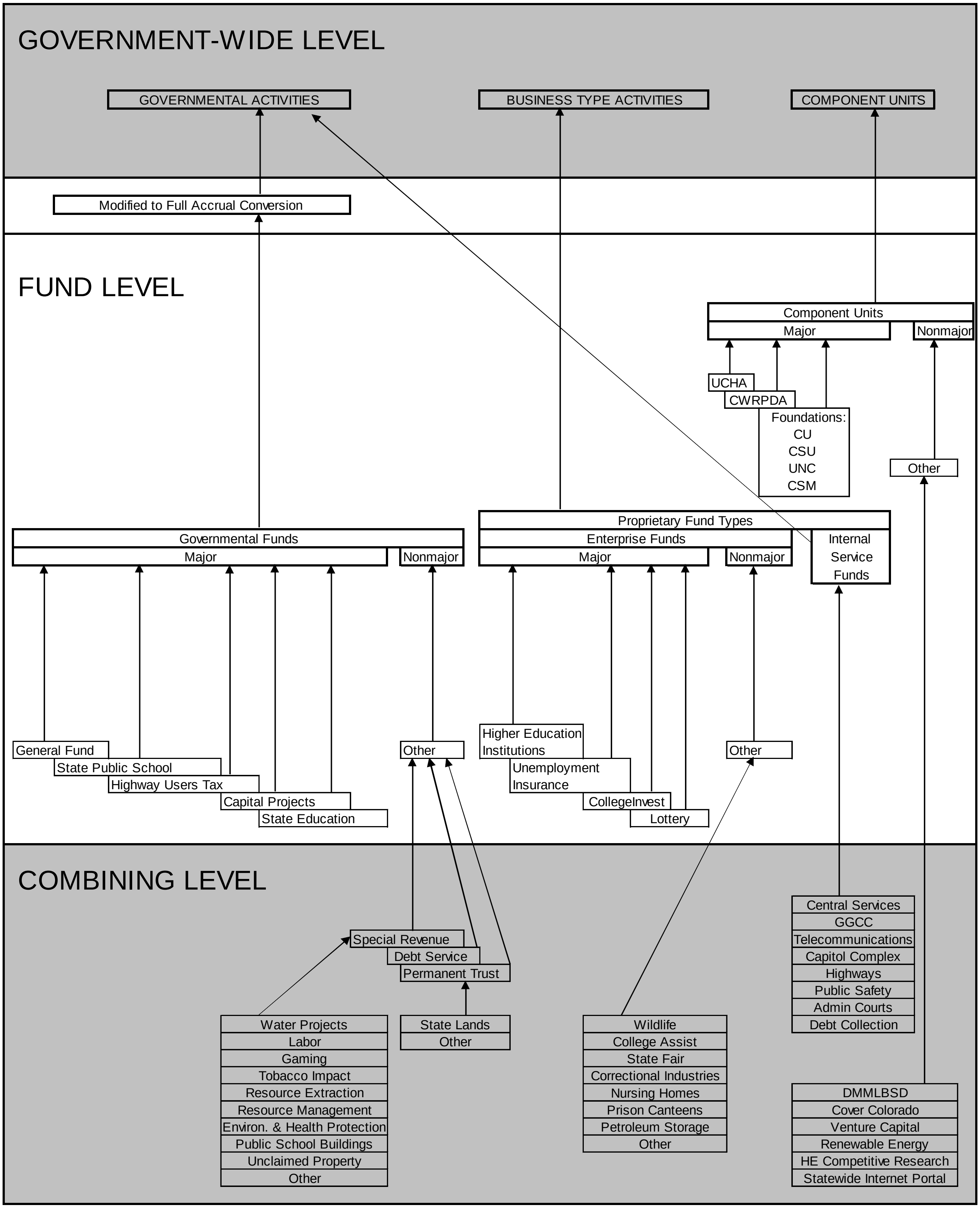
Notes to Basic Financial Statements

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.


GOVERNMENT-WIDE LEVEL
GOVERNMENTAL ACTIVITIES
BUSINESS TYPE ACTIVITIES
COMPONENT UNITS
Modified to Full Accrual Conversion
FUND LEVEL
Component Units
Major
Nonmajor
UCHA
CWRPDA
Foundations:
CU
CSU
UNC
CSM
Other
Governmental Funds
Major
Nonmajor
Proprietary Fund Types
Enterprise Funds
Major
Nonmajor
Internal Service Funds
General Fund
State Public School
Highway Users Tax
Capital Projects
State Education
Other
Higher Education Institutions
Unemployment Insurance
CollegeInvest
Lottery
Other
COMBINING LEVEL
Special Revenue
Debt Service
Permanent Trust
Water Projects
Labor
Gaming
Tobacco Impact
Resource Extraction
Resource Management
Environ. & Health Protection
Public School Buildings
Unclaimed Property
Other
State Lands
Other
Wildlife
College Assist
State Fair
Correctional Industries
Nursing Homes
Prison Canteens
Petroleum Storage
Other
Central Services
GGCC
Telecommunications
Capitol Complex
Highways
Public Safety
Admin Courts
Debt Collection
DMMLBSD
Cover Colorado
Venture Capital
Renewable Energy
HE Competitive Research
Statewide Internet Portal

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

(Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Noncapital Assets	$ 7,208,926	$ 7,252,573	$ 4,180,622	$ 5,894,571	$ 11,389,548	$13,147,144
Capital Assets	11,327,140	12,840,474	5,119,819	4,522,626	16,446,959	17,363,100
Total Assets	18,536,066	20,093,047	9,300,441	10,417,197	27,836,507	30,510,244
Current Liabilities	2,551,854	2,488,460	1,482,306	1,243,341	4,034,160	3,731,801
Noncurrent Liabilities	2,528,940	2,127,382	3,079,433	4,293,744	5,608,373	6,421,126
Total Liabilities	5,080,794	4,615,842	4,561,739	5,537,085	9,642,533	10,152,927
Invested in Capital Assets, Net of Related Debt	10,118,621	11,631,061	2,854,803	2,665,270	12,973,424	14,296,331
Restricted	2,284,632	2,483,122	731,810	1,185,405	3,016,442	3,668,527
Unrestricted	1,052,019	1,363,022	1,159,867	1,029,437	2,211,886	2,392,459
Total Net Assets	$13,455,272	$15,477,205	$ 4,746,480	$ 4,880,112	$ 18,201,752	$20,357,317

The following table was derived from the current and prior year government-wide *Statement of Net Assets*. 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 $12,973.4 million or 71.3 percent of the State's total net assets, which represents a decrease of $1,322.9 million from the prior year, primarily related to the State's conversion from the modified approach to the depreciation approach for roadway infrastructure. This change resulted in a prior-period adjustment of $600.7 million for errors in the valuation of the roadways at the inception of GASB Statement No. 34. The change also resulted in an accounting principle change of $448.7 million related to removing roadways from the accounting records for which the most recent construction was before the State's maximum infrastructure depreciation period. This line item shows the original cost of capital assets reduced by depreciation to date and any remaining debt or lease liabilities the State incurred to obtain the assets. If not for the error correction and accounting principle change, capital assets would have increased by $133.3 million. Without the prior period adjustment, the current year increase 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 $3,016.4 million or 16.6 percent of net assets, which represents a decrease of $652.1 million from 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 $198.5 million of the decrease and business-type activities accounted for the remaining $453.6 million. The largest individual restriction decreases were related to Highway Construction and Maintenance ($21.7 million), Court Awards and Other Purposes (Tobacco Impact Mitigation Fund - $59.2 million), State Education ($143.8 million), and Unemployment Insurance ($393.0 million).

The Unrestricted Net Assets of $2,211.9 million represents 12.2 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 a decrease of $180.6 million from the prior fiscal year. The governmental activities unrestricted net assets account for approximately $311.0 million of this decrease offset by an increase of $130.4 million in business-type activities. The largest portion of unrestricted net assets is reported in Special Revenue Funds, and generally, legislative action is 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 net assets of both the governmental and business-type activities decreased during the fiscal year. For the governmental activities, expenses and transfers-out exceeded revenues and transfers-in resulting in net assets decreasing by $978.6 million. On the governmental fund-level statements, where capital outlay is reported as an expenditure and depreciation is not reported, governmental fund balances decreased by $108.8 million. Program revenue of the governmental activities increased by $1,395.3 million (21.5 percent) related to increased grants and charges for services, and general-purpose revenues decreased by $634.2 million (7.6 percent) primarily due to declining tax collections, while expenses increased by $1,346.9 million (8.9 percent) from the prior year primarily due to spending under the American Recovery and Reinvestment Act (ARRA). The following table was derived from the current and prior year government-wide *Statement of Activities*. Business-type activities are discussed on the following page.

(Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
Programs/Functions	2010	2009	2010	2009	2010	2009
Program Revenues:						
Charges for Services	$ 1,398,714	$ 945,338	$ 3,991,677	$ 3,886,908	$ 5,390,391	$ 4,832,246
Operating Grants and Contributions	5,885,657	5,065,429	3,957,310	2,214,186	9,842,967	7,279,615
Capital Grants and Contributions	607,383	485,711	24,619	20,220	632,002	505,931
General Revenues:						
Taxes	6,739,757	7,346,588	-	-	6,739,757	7,346,588
Restricted Taxes	873,287	880,625	-	-	873,287	880,625
Unrestricted Investment Earnings	10,215	22,591	-	-	10,215	22,591
Other General Revenues	112,138	119,748	-	-	112,138	119,748
Total Revenues	15,627,151	14,866,030	7,973,606	6,121,314	23,600,757	20,987,344
Expenses:						
General Government	189,865	308,410	-	-	189,865	308,410
Business, Community, and Consumer Affairs	662,854	705,037	-	-	662,854	705,037
Education	5,096,032	5,208,705	-	-	5,096,032	5,208,705
Health and Rehabilitation	659,187	644,699	-	-	659,187	644,699
Justice	1,527,857	1,543,310	-	-	1,527,857	1,543,310
Natural Resources	144,445	137,159	-	-	144,445	137,159
Social Assistance	6,091,958	5,220,295	-	-	6,091,958	5,220,295
Transportation	2,105,688	1,376,215	-	-	2,105,688	1,376,215
Interest on Debt	33,203	20,393	-	-	33,203	20,393
Higher Education Institutions	-	-	4,451,541	4,153,282	4,451,541	4,153,282
Unemployment Insurance	-	-	2,496,188	1,138,621	2,496,188	1,138,621
CollegeInvest	-	-	68,650	78,647	68,650	78,647
Lottery	-	-	456,352	435,156	456,352	435,156
Wildlife	-	-	105,037	112,369	105,037	112,369
College Assist	-	-	410,027	399,576	410,027	399,576
Other Business-Type Activities	-	-	170,410	171,635	170,410	171,635
Total Expenses	16,511,089	15,164,223	8,158,205	6,489,286	24,669,294	21,653,509
Excess (Deficiency) Before Contributions, Transfers, and Other Items	(883,938)	(298,193)	(184,599)	(367,972)	(1,068,537)	(666,165)
Contributions, Transfers, and Other Items:						
Transfers (Out) In	(94,993)	(114,685)	94,993	114,685	-	-
Special Item	-	(5,616)	(79,575)	-	(79,575)	(5,616)
Total Contributions, Transfers, and Other Items	(94,993)	(120,301)	15,418	114,685	(79,575)	(5,616)
Total Changes in Net Assets	(978,574)	(418,494)	(169,181)	(253,287)	(1,147,755)	(671,781)
Net Assets - Beginning	15,477,205	15,830,190	4,880,112	5,127,090	20,357,317	20,957,280
Prior Period Adjustment	(594,624)	(118,647)	35,549	6,309	(559,075)	(112,338)
Accounting Changes	(448,735)	184,156	-	-	(448,735)	184,156
Net Assets - Ending	$13,455,272	$ 15,477,205	$ 4,746,480	$ 4,880,112	$18,201,752	$20,357,317

Business-type activities' expenses exceeded revenues and net transfers-in by $169.2 million resulting in a decrease in net assets. From the prior year to the current year, program revenue of the business-type activities increased by $1,852.3 million while expenses increased by $1,668.9 million. Most of the program revenue increase occurred in Higher Education Institutions Operating Grants ($612.6 million) and in Unemployment Insurance's Operating Grants ($1,083.5 million). Net transfers from the governmental activities to the business-type activities decreased from $114.7 million to $95.0 million. The increase in expenses is primarily attributable to a 119.1 percent increase in Unemployment Insurance benefits paid as a result of the economic downturn.

TABOR Revenue, Debt, and Tax-Increase Limits

Background and Current Condition

Fiscal Year 2009-10 is the seventeenth 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 are 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.

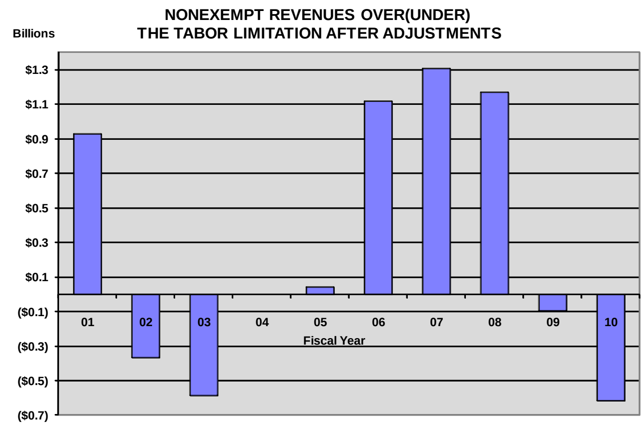
In the first three years of operations under TABOR, the State did not exceed the revenue limitation. In Fiscal Years 1996-97 through 2000-01, State revenues exceeded the TABOR limitation by $139.0 million, $563.2 million, $679.6 million, $941.1 million, and $927.2 million, respectively. The economic 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 2009-10, 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.

In Fiscal Year 2009-10, unaudited State revenues subject to TABOR were $8,567.9 million, which was ($615.5) million under the adjusted current year limit. During Fiscal Year 2009-10, Adams State College and Mesa State College requalified as TABOR enterprises because they received less than 10 percent of revenues from the State, and the Unemployment Insurance Program became a TABOR enterprise as authorized by statute. 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 2009-10, the TABOR limit was decreased by $424.3 million related to enterprise qualifications.

Under the requirements of current law, the Governor's Office of State Planning and Budgeting (OSPB) estimates that the State will retain $3.6 billion during the five-year refund time-out authorized by Referendum C.

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.

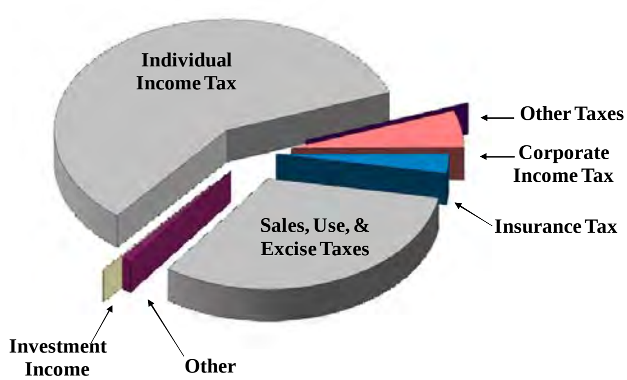
The amount of revenues in excess of the limit cannot be known for certain until the completion of the TABOR audit, which is generally not available until up to six months after fiscal year-end. Currently, due to declining economic conditions the State's revenues are not expected to exceed the TABOR limit during Fiscal Year 2009-10. Therefore no moneys were retained under Referendum C during Fiscal Year 2009-10. Neither the Legislative Council nor the Governor's economic forecast projects TABOR revenue in excess of the TABOR limit from Fiscal Years 2010-11 through 2012-13.

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. This fund accounts for all revenues and expenditures that are not required by law to be accounted for in other funds. Revenues of the General 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 Fund, they have little impact on the General Fund fund balance because federal revenues are closely matched with federal expenditures.

GENERAL-PURPOSE REVENUES BY SOURCE



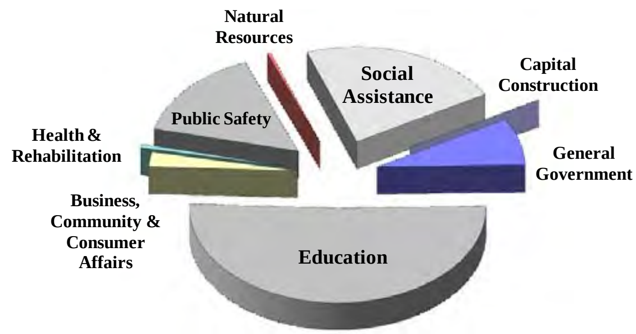
The ending total fund balance of the General Fund, as measured by generally accepted accounting principles (GAAP), was $15.8 million, including statutorily reserved and designated amounts – a decrease of $319.6 million from the prior year. While the State was able to fund the General Fund Reserve for Statutory Purposes of $132.6 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 Unreserved Undesignated Fund Balance was a deficit of ($30.8) million. On both the budget basis and the GAAP basis, the General Fund received augmenting transfers of $418.4 million in Fiscal Year 2009-10 ($815.3 million Fiscal Year 2008-09) to address the State's budget crisis. Without the augmenting transfers, the General Fund fund balance on the budget basis would have been a deficit which is prohibited by the State's constitution. The General Fund's $426.6 million year-end cash balance decreased $248.4 million from the prior year.

General-purpose revenues for Fiscal Years 2009-10 and 2008-09 were $6,456.1 million (see page 159) and $6,525.4 million, respectively – a decrease of $69.3 million or 1.1 percent. Individual income tax revenue decreased by $243.8 million or 6.1 percent. The major categories of individual income tax, that contributed to the decrease, were estimated payments (down 33.9 percent), and withholding payments (down 2.3 percent.). The increase in cash with income tax returns (up 16.3 percent) and the reduction in income tax refunds (down 5.3 percent) partially offset the revenue decreases. The significant percentage decrease in estimated tax payments is normally associated with declining self-employment income, reduced taxpayers' investment earnings, or taxpayer cash flow difficulties; the decrease in withholding reflects job losses and limited wage inflation. Corporate income tax receipts increased by $84.9 million or 32.0 percent reflecting corporate cost cutting and improved profitability. Sales, use, and excise taxes increased by $89.9 million or 4.5 percent, which is consistent with the 1.7 percent projected increase in personal income in 2010. Other revenue increased by $4.4 million or 7.9 percent primarily related to a $2.1 million increase in business license and permit receipts.

On the budgetary basis, total expenditures and transfers-out (excluding transfers not appropriated by department) funded from general-purpose revenues during Fiscal Years 2009-10 and 2008-09 were $6,727.7 million (see page 159) and $7,370.8 million, respectively. For Fiscal Year 2008-09, the total annual increase in general-funded appropriations was limited to the lesser of five percent of personal income or six percent over the previous year appropriations with certain adjustments. The primary adjustments are for changes in federal mandates, lawsuits against the State, and most transfers not appropriated by department. This limitation is controlled through the legislative budget process; however, legislation was enacted that changed the growth limitation to be based solely on 5.0 percent of Colorado personal income beginning in Fiscal Year 2009-10. In Fiscal Year 2009-10, revenues were not sufficient to support the allowed appropriation growth and budget cuts were enacted that resulted in the budget decreasing by 7.1 percent.

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 82.3 percent of all Fiscal Year 2009-10 general-funded expenditures, which is an increase of 1.8 percent from the prior year. The Department of Education's general-funded expenditures increased by 0.7 percent ($23.9 million), and it was the only department with an increase of over $1.0 million. Amendment 23, passed by the voters in 2000, mandates increases in Department of Education spending primarily related to payments to local public school districts. The Departments of Health Care Policy and Financing, Higher Education, and Human Services' general-funded expenditures decreased by 12.2 percent, 35.2 percent, and 3.3, respectively. The percentage use of total general-funded resources by these four departments increased primarily because the transfers and distributions to the Capital Projects Fund (down from $39.4 million to $0.2 million), the Highways Users Tax Fund (down from $29.0 million to $0.0), and the Senior Property Tax Exemption program (down from $85.6 million to $1.3 million) were significantly lower in Fiscal Year 2009-10 than in Fiscal Year 2008-09. Of the departments with substantial General Fund expenditures, the major decreases were in the Department of Corrections ($73.7 million or 11.6 percent), the Department of Health Care Policy and Financing ($159.5 million or 12.2 percent), the Department of Higher Education ($233.2 million or 35.2 percent), the Department of Natural Resources ($5.0 million or 16.5 percent), the Department of Revenue ($12.9 million or 19.2 percent), and the Department of Human Services ($25.2 million or 3.3 percent). Most of the general-funded expenditure decreases were offset by American Recovery and Reinvestment Act (ARRA) funding as detailed in the section on Analysis of Budget variances.

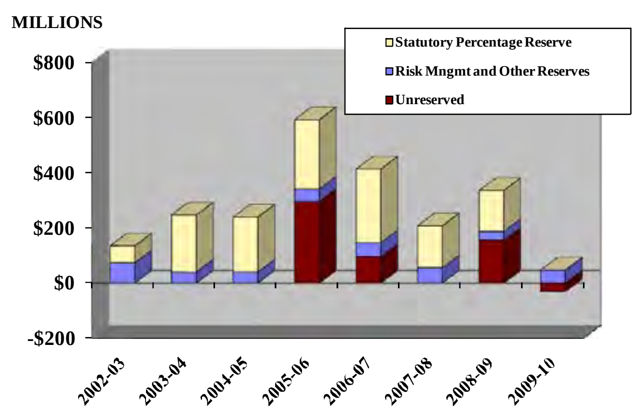
EXPENDITURES BY FUNCTION FROM GENERAL PURPOSE REVENUES



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. This change results in an ongoing difference between the GAAP fund balance and budgetary basis fund balance of the General Fund. During Fiscal Year 2009-10, the State met the statutory required reserve on a budgetary basis, but not on the GAAP basis. The amount of net General Fund revenues that are available for expenditure are titled General Fund Surplus on the budgetary basis statement. There is no equivalent amount for FY 2009-10 for the GAAP basis financial statements since the General Fund reserve was only met on a budgetary basis. Deferring payroll expenditures moved $88.7 million of expenditures into the following year, while deferring Medicaid related expenditures moved $229.7 million of expenditures into the following year. Revenues related to the deferral of the Medicaid expenditures were also deferred in the amount of $150.1 million. In total, the effect was to increase General Fund budgetary fund balance by $168.2 million, which was $28.1 million more than the effect of deferring Fiscal Year 2008-09 expenditures into Fiscal Year 2009-10.

The chart at the right 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 2009-10 require a two percent fund balance reserve of $132.6 million; however, as previously discussed, the General Fund did not have adequate resources to meet the required two percent reserve on the GAAP basis and ended the year with a ($30.8) million shortfall. Statutory compliance was achieved on a budgetary basis by deferring $168.2 million of payroll and Medicaid costs into Fiscal Year 2010-11. The deferral of payroll and Medicaid costs has been in place since Fiscal Year 2002-03, and has prevented shortfalls in the budget basis statutory reserve in each year except Fiscal Years 2005-06 and 2006-07 when adequate resources

GENERAL FUND - FUND BALANCE



were available for a positive budgetary reserve without the deferral. In Fiscal Year 2008-09 the statutorily required reserve was lowered from four percent to two percent of appropriations. The unreserved fund balance shown for Fiscal Year 2008-09 was larger than would have been possible with General Fund revenues because of a $458.1 million transfer into the fund on June 30, 2009. Declining economic conditions during Fiscal Year 2009-10 also required a series of augmenting transfers from various cash funds to prevent the General Fund from incurring a deficit fund balance on the budgetary basis.

State Public School Fund

The State Public School Fund is a statutory fund whose primary revenue source is quarterly transfers from the General Fund. The fund distributes substantially all of the General Fund transfer to local school districts resulting in year-end fund balances that are not significant. The fund made distributions of $3,144.5 million and $2,999.8 million in Fiscal Year 2009-10 and 2008-09, respectively.

Highway Users Tax Fund

The Highway Users Tax Fund (HUTF) fund balance decreased by $61.3 million from the prior year due in part to a reduction of transfers-in of $68.0 million related to the termination of transfers-in from the General Fund, Capital Construction Fund, and the Gaming Fund. The General Fund Surplus transfer to the HUTF decreased from $29.0 million in Fiscal Year 2008-09 to $0.0 million in Fiscal Year 2009-10. Legislation in response to the economic downturn permanently eliminated this transfer 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 an Unreserved Fund Balance Reported in Special Revenue Funds of $24.5 million. This amount is the residual after a $960.9 million reserve for encumbrances and a $213.6 million reserve for funds reported as restricted. The encumbrances are related to multiple year construction project contracts that are to be funded primarily from future gas tax and motor vehicle license fee revenues. The funds reported as restricted are primarily in the form of cash that is restricted by the State Constitution to be used only for highway construction and maintenance.

Capital Projects Fund

The Capital Projects Fund fund balance increased by $155.4 million from the prior fiscal year primarily due to the issuance of $379.1 million of Certificates of Participation to construct the Ralph L. Carr Justice Complex and the Colorado History Center Projects (totaling $338.8 million) and to refund existing Certificates of Participation previously issued for the Colorado State Penitentiary II ($33.0 million). Fund expenditures of $222.2 million primarily related to previously appropriated projects and net transfers out of $39.4 offset the certificate issuance inflows. Investment income declined by $9.2 million. Capital outlay expenditures decreased by $105.5 million offset by increases in General Government expenditures of $8.2 million and Justice expenditures of $43.2 million. The Capital Projects Fund had a deficit Unreserved Undesignated Fund Balance of $35.6 million at fiscal year-end due to the Reserve for Encumbrances related to construction contracts to be funded from future federal and cash fund sources.

State Education Fund

The State Education Fund fund balance decreased by $143.8 million during Fiscal Year 2009-10. 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 decreased in Fiscal Year 2009-10 by $10.9 million from the prior year. Investment income decreased by $8.7 million from the prior year primarily due to a decrease in the fund's cash balance on deposit with the State Treasurer. Unrealized losses made up 10.0 percent of reported investment income. 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 Fund decreased by $121.4 million which compounded the decline in revenues. Expenditures of the fund were $475.0 million and $488.8 million in Fiscal Year 2009-10 and 2008-09, respectively.

Higher Education Institutions

Current period activity and prior period adjustments together increased the net assets of the Higher Education Institutions by $410.8 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 $38.9 million, sales of goods and services decreased by $89.1 million, federal revenues increased by $396.5 million, and other revenues increased by $11.4 million. In addition, investment income (including an increase in fair value of investments) was $141.4 million. Overall, revenues increased by 13.2 percent and expenses increased by 3.8 percent The State made capital contributions of $32.8 million and $113.8 million in Fiscal Years 2009-10 and 2008-09, respectively, that were funded by the Capital Projects Fund and transferred $174.5 million ($181.4 million in Fiscal Year 2008-09) 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 $362.6 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 ($115.8) million because the fund's current liabilities exceeded the fund's assets. This represents a decrease in net assets of $508.7 million, and occurred because unemployment benefits paid increased by $1,357.0 million, or 119.1 percent, due to the economic downturn. The net asset decrease was mitigated by an increase of $1,105.7 million in federal grants (including ARRA funds) received to extend the duration of unemployment benefits. The change in net assets was also affected by a $22.0 million decrease in investment earnings related to declining cash balance in the fund and a $128.5 million increase in the amount of unemployment insurance premiums received. 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 decreased from Fiscal Year 2008-09 to 2009-10 by $347.1 million (from $349.8 million to $2.7 million). In addition, the fund reports a $173.1 million payable to the federal government for borrowing to support the State's share of unemployment benefit payments.

CollegeInvest

CollegeInvest's net assets decreased by $100.5 million or 56.1 percent primarily related to losses incurred in selling the fund's student loan portfolio and retiring all of its revenue bonds, some of which were retired as part of the sale. The sale of the student loan portfolio and related bonds was required by House Bill 10-1428 which declared that the Department of Higher Education, of which the CollegeInvest program is a part, shall no longer be involved in student loans that are guaranteed by the federal government. The fund transferred $44.8 million to the General Fund in Fiscal Year 2009-10 to augment general-purpose revenues of the General Fund. CollegeInvest will maintain its college savings plans and certain other activities.

The fund experienced a $15.5 million increase in Federal Grants and Contracts, $12.1 million of Investment Income, and an $11.7 million decrease in Other Revenue. CollegeInvest's debt service decreased $22.7 million related to declining interest rates on variable rate debt held before the bonds sale or retirement. Assets of the fund decreased from $2,064.6 million to $331.9 million, primarily related to the sale of the student loan portfolio, while liabilities decreased from $1,885.3 million to $253.1 million primarily related to the retirement or sale of the bonds previously issued to purchase or originate student loans. The amount Due to Other Governments increased by $70.7 million primarily related to a participation program in which CollegeInvest placed student loans with the federal Department of Education in exchange for cash to be used for loan origination. With the termination of the guaranteed loan program the related student loans will be sold to the federal Department of Education.

<u>State Lottery</u>

The Lottery produced operating income of $113.8 million ($120.9 million in Fiscal Year 2008-09) on sales of $512.3 million ($500.5 million in Fiscal Year 2008-09). The change represents a 5.9 percent decrease in operating income. The Lottery distributed $56.4 million ($54.3 million in Fiscal Year 2008-09) to the Great Outdoors Colorado program, a related organization, and transferred $57.1 million ($65.9 million in Fiscal Year 2008-09) to other State funds, of which, $11.3 million was used to fund operations of the State's Division of Parks and Recreation and $45.2 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 159. 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.

<u>Differences Between Original and Final Budgets</u>

The following list shows departments that had net changes in general-funded budgets greater than $12.6 million.

- <u>Department of Corrections</u> – The department's original budget exceeded the final budget by $114.4 million. The primary reason for the decrease was $89.0 million of federal funds received under the American Reinvestment and Recovery Act (ARRA), which allowed for a corresponding General Fund budget reduction (refinancing). The department's final budget also decreased $11.7 million in the In-Private Prison Program related to an increased use of $1.7 million of federal funds from the State Criminal Alien Assistance Program and a $10 million reduction related to lower than projected offender population. The general-funded budget also decreased by $5.4 million related to reduced medical costs associated with lower utilization of services by a declining offender population and a $5.5 million reduction in the Education Subprogram related to the use of $2.5 million from the Canteen Cash Fund and a $3.0 million funding reduction.

- <u>Department of Health Care Policy and Financing</u> – The department's original budget exceeded the final budget by $524.7 million. That amount includes the following significant line item reductions:

  - Purchased Medical Services – $395.4 million net reduction comprising an increased of $20.5 million for the repeal of Senate Bill 09-265 which required delay of the final weekly Medicaid payment in June 2010, and the following reductions: $252.9 million refinanced to ARRA funds, $43.7 million refinanced to the Health Care Expansion Fund, $27.4 million refinanced to Tobacco Tax moneys, $27.3 million reduction for the delay of June Medicaid Management Information System payments, $17.1 million for a reduction in nursing facility reimbursement rates, and an $8.2 million caseload reduction.
  - Community Services for the Developmentally Disabled – reduced $34.6 million primarily related to refinancing to federal ARRA moneys.
  - Medicare Modernization Act (MMA) State Payments – reduced $31.3 million due to a refinance to federal ARRA moneys related to a federal decision to allow retroactive federal funding of payments back to 2008.
  - Capitation Based Medically Eligible Clients – reduced $27.7 million primarily related to $23.7 million refinanced to federal ARRA moneys, $8.3 million related to delaying managed care provider and capitation payments, and an increase of $6.7 million related to the repeal of previously planned delays in payment to Fiscal Year 2010-11.
  - Safety Net Provider Payments – reduced $13.1 million for the combined effect of a change in cost estimating procedures and the removal of the General Fund from the funding for payments to private hospitals.

- Department of Higher Education – The Department of Higher Education's original budget exceeded the final budget by $231.7 million. The decrease was primarily a result of $231.3 million of federal funds received under ARRA. The State used the State Fiscal Stabilization Funds (SFSF) provided by ARRA to replace the department's general-funded budget and allow those general funds to be used elsewhere.

- Department of Human Services – The department's original budget exceeded the final budget by $23.8 million. The American Reinvestment and Recovery Act (ARRA) Temporary Assistance to Needy Families (TANF) block grant provided $29.0 million, which allowed for some General Fund budget refinancing. The Child Welfare Services line item was reduced by $11.0 million, comprising a $3.0 million refinance to TANF funds, a $4.0 million refinancing to various cash funds, and a $4.0 million reduction that was not refinanced. Several adjustments resulted in net reduction of $4.1 million in the Purchased and Contract Placement line item of the Division of Youth Corrections, the most significant of which was a $4.3 million General Fund reduction related to the use of lower-cost State facilities beyond their capacity rather than purchasing services from nonstate entities at a higher cost. The County Tax Base Relief line item in the County Administration group was reduced by $3.0 million as a budget balancing measure by removing two of the three tiers under which certain counties received additional funds depending on their property tax base. The Division of Child Welfare was reduced $2.6 million when the appropriation for Functional Family Therapy was eliminated.

- Judicial Branch – The Judicial Branch's original budget exceeded the final budget by $12.6 million. The decrease was primarily due to reductions to address the State's revenue shortfall and, per the Joint Budget Committee's appropriation report, included $8.2 million in personal services reductions including 109 full-time equivalents (FTE) in trial court staff, 60 FTE in probation staff, and 39 FTE in public defender staff. The reductions were distributed across a number of line items in the Judicial Branch, none of which exceeded $1.0 million.

- Department of Revenue – The department's original budget exceeded the final budget by $15.6 million. The decrease was primarily due to a $12.2 million reduction of general-funded appropriations to the State's Division of Motor Vehicles, driver and vehicle services – one-third of which was refinanced to be funded from the Highway Users Tax Fund and two-thirds of which was to be funded by the Licensing Services Cash Fund. The department's executive director's office centrally appropriated line items were reduced by $4.0 million and refinanced to be funded from the Licensing Services Cash Fund.

Differences Between Final Budget and Actual Expenditures

Overexpenditures for all funds totaled $128.5 million for Fiscal Year 2009-10. General-funded overexpenditures are discussed in detail in Note 8A on page 83 at the individual line item appropriation level. In total, State departments reported general-funded appropriation reversions of $37.9 million; the reversion would have been $46.5 million if not for a $8.6 million negative reversion related to the Old Age Pension program at the Department of Revenue. The Department of Revenue negative reversion is not considered an overexpenditure because the Old Age Pension program is continuously appropriated in statute and the negative reversion is shown primarily to inform the General Assembly of the amount of Old Age Pension expenditures in excess of the estimate. In addition, departments reverted $9.7 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 $1.8 million (0.3 percent) primarily due to lower than expected personal services costs because of difficulties in hiring qualified applicants in the drug and alcohol treatment and sex offender treatment programs. Property and liability insurance expenditures were also lower for the year, and pharmaceutical purchases reflected a slightly less than anticipated usage for the offender caseload.

- Department of Health Care Policy and Financing – The department reverted $31.2 million (2.7 percent) after reduction for the $869,226 of statutorily authorized overexpenditures in the Medicaid program detailed in Note 8A. Of the reversion amount, $28.7 million was in the Medical Services Premium line item and was largely the result of the decision by the Director of the Governor's Office of State Planning and Budgeting and the State Controller to delay, for budget purposes only, the posting of Medicaid payments for the last two weeks of June until July 1, 2010. The delay in Medicaid payments was authorized by State statute and was necessary to prevent a deficit General Fund fund balance on the budget basis. Such a deficit would have been a violation of the State Constitution. The department also reverted $0.6 million from its Information Technology Contracts and Projects group of line items due to a delay in federal approval of fraud detection software and due to delays in contracts to implement provider rate reductions and other projects. In addition, the department reverted $1.4 million from its Services for People with Disabilities – Regional Centers because the receipt of additional federal ARRA funds required a restriction of General Fund appropriation.

- Department of Human Services – The department's $3.4 million (0.5 percent) reversion comprises numerous smaller amounts, the most significant of which were:
  - $1.7 million of the Purchased and Contract Placements appropriation in the Community Programs group caused by actual caseload that was 7.2 percent below the budget estimate,
  - $0.3 million of the Parole Program Services appropriation in the Community Programs group caused by receipt of federal ARRA funds that became available after the budget could be adjusted,
  - $0.3 million of the Colorado Trails appropriation in the Information Technology Services group resulting from an unreleased restriction related to a prior year overexpenditure, and
  - $0.2 million of the Treatment and Detoxification Contracts in the Treatment Services group caused by actual caseload that was below the budget estimate.
- Legislative Branch – The Legislative Branch reverted $2.7 million (7.7 percent) primarily due to $1.4 million related to amounts budgeted for a Special Session which did not occur and related to restrictions the General Assembly placed on Legislative Branch's spending on personal services, interim committees, travel, and leased computers. The Office of the State Auditor reverted $1.1 million primarily due to State agencies reimbursing the Auditor for contract audit costs that were budgeted as general-funded.
- Department of Public Safety – The department reverted $2.5 million (3.0 percent) of which $1.7 million was related to the Diversion Program within Community Corrections The department believes the appropriation reverted primarily due to legislative changes that decreased felony crimes subject to community corrections referral.
- Department of Revenue – The General Fund Surplus Schedule shows the department reverted ($6.5) million, which would have been $2.1 million (1.2 percent) if not for the $8.6 million negative reversion related to Old Age Pension expenditures discussed above. The department reverted $1.0 million of the Old Age Heat and Fuel refunds appropriation primarily because increased legal presence documentation resulted in fewer taxpayers qualifying for the rebate than was originally estimated. The department also reverted $0.6 million of the Cigarette Tax Rebate appropriation due to decreased tax collections during Fiscal Year 2008-09. The department reverted $0.2 million from its Pueblo Data Entry line item due to reduced data entry demand related to a smaller number of oil and gas severance tax forms and income tax forms, and due to efficiencies gained from the department's new GenTax system – a part of the Colorado Integrated Tax Architecture being developed.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The State's investment in capital assets at June 30, 2010, was $16.4 billion ($17.4 billion in Fiscal Year 2008-09). Included in this amount were $13.6 billion of depreciable capital assets after reduction for $5.1 billion of accumulated depreciation. Also included was $2.8 billion of land, construction in progress, and nondepreciable infrastructure and other assets. The State added $1,362.7 million and $1,157.3 million of capital assets in Fiscal Year 2009-10 and 2008-09, respectively. Of the Fiscal Year 2009-10 additions, $524.1 million was recorded by governmental funds and $838.7 million was recorded by business-type activities. General-purpose revenues funded $89.6 million of capital and controlled maintenance expenditures during Fiscal Year 2009-10 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, 2010 and 2009, were (see Note 16 for additional detail):

(Amounts in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	Restated 2009	2010	Restated 2009	2010	Restated 2009
Capital Assets Not Being Depreciated						
Land and Land Improvements	$ 154	$ 151	$ 360	$ 341	$ 514	$ 492
Collections	9	9	18	16	27	25
Construction in Progress	613	458	829	597	1,442	1,055
Infrastructure	861	838	-	-	861	838
Total Capital Assets Not Being Depreciated	1,637	1,456	1,207	954	2,844	2,410
Capital Assets Being Depreciated						
Buildings and Related Improvements	1,662	1,651	5,483	5,020	7,145	6,671
Software	173	165	74	36	247	201
Vehicles and Equipment	646	622	815	810	1,461	1,432
Library Books, Collections, and Other Capital Assets	41	38	481	468	522	506
Infrastructure	9,313	9,079	21	21	9,334	9,100
Total Capital Assets Being Depreciated	11,835	11,555	6,874	6,355	18,709	17,910
Accumulated Depreciation	(2,145)	(1,203)	(2,961)	(2,761)	(5,106)	(3,964)
Total	$ 11,327	$ 11,808	$ 5,120	$ 4,548	$ 16,447	$ 16,356

The State's major commitments for capital expenditures are reported in the attached financial statements as fund balances reserved for encumbrances. At June 30, 2010, the State had commitments of $91.7 million in the Capital Projects Fund ($128.0 million in Fiscal Year 2008-09) and $960.9 million in the Highway Users Tax Fund ($915.4 million in Fiscal Year 2008-09). Certain construction projects of the Higher Education Institutions are not reported in the Capital Projects Fund because they are not subject to appropriation; additionally, commitments for the related capital expenditures are not shown because the enterprise funds do not report a reserve for encumbrances. 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 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	2,822.8	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

Fiscal Year 2008-09
(Amounts in Millions)

	Capital Leases		Revenue Bonds		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities	$ 91.8	$ 32.7	$ 1,107.0	$ 245.4	$ 162.1	$ 65.8	$ 1,360.9	$ 343.9
Business-Type Activities	93.8	36.8	3,551.6	1,754.0	446.7	266.5	4,092.1	2,057.3
Total	$ 185.6	$ 69.5	$ 4,658.6	$ 1,999.4	$ 608.8	$ 332.3	$ 5,453.0	$ 2,401.2

In Fiscal Year 2008-09, the total principal amount of capital leases, revenue bonds, and COPs was 41.5 percent of assets other than capital assets. In Fiscal Year 2009-10, that measure decreased to 40.4 percent because noncapital assets decreased 13.4 percent while the principal amount of capital leases, revenue bonds, and COPs decreased by 15.6 percent. Both the principal amount and the noncapital net assets were reduced by CollegeInvest's sale of its $1.7 billion student loan portfolio and related revenue bonds; without the sale the capital leases, revenue bonds, and COPs would have been 48.6 percent of noncapital assets. The significant increase is related to several financed construction projects including local schools under the Build Excellent Schools Today (BEST) program, the Ralph L. Carr Justice Center, and the Colorado History Museum. Total per capita borrowing including bonds, Certificates of Participation, mortgages, notes, and capital leases was $1,068, $1,247, $1,168, $1,051, and $982 per person in Fiscal Years 2009-10, 2008-09, 2007-08, 2006-07, and 2005-06, respectively.

INFRASTRUCTURE ASSETS PREVIOUSLY REPORTED UNDER THE MODIFIED APPROACH

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. Bridges were taken off the modified approach (as discussed below) in Fiscal Year 2007-08, and roadways were taken off the modified approach in Fiscal Year 2009-10.

Each year the department provides the Colorado Transportation Commission with the estimates of the funding needed to alternatively maintain or improve existing infrastructure condition over the next 20 years. 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 established condition level as required by the modified approach. Therefore, the State began reporting depreciation of its bridges in Fiscal Year 2007-08. A prior period adjustment was reported in the Fiscal Year 2007-08 financial statements to correctly state the beginning balance of a portion of the bridges that were valued incorrectly at the State's implementation of GASB Statement No. 34 in Fiscal Year 2001-02. In addition, an accounting change was recorded for bridges that were below the State's capitalization threshold or were fully depreciated and therefore should not be included under the new depreciation method. Although the modified approach is no longer used, the following information is included to show historical condition levels through the current fiscal year.

CDOT utilizes PONTIS and the National Bridge Inventory to monitor the condition of approximately 3,800 bridges under its jurisdiction. The following table defines the criteria used for the bridge ratings:

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

The current percentage of bridges rated Poor is 5.48 percent, which sets the percent rated as Good or Fair at 94.52 percent. As shown in the following table, the condition assessment for those bridges rated as poor steadily increased between 2005 and 2008.

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

In 2008 CDOT removed structures that are not vehicular bridges from the condition reporting. Removing these structures caused the restatement of the prior year percentages.

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 established condition level as required by the modified approach. Therefore, the State began reporting depreciation of its roadways in Fiscal Year 2009-10. A prior period adjustment is reported in the Fiscal Year 2009-10 financial statements to correctly state the beginning balance of a portion of the roadways that were valued incorrectly at the State's implementation of GASB Statement No. 34 in Fiscal Year 2001-02. An accounting change was also reported to remove $448.7 million of roadways for which the department determined that the most recent construction was before the State's maximum infrastructure depreciation period, and therefore, those roadways will not be reported or depreciated prospectively. Although the modified approach is no longer used, the following information is included to show historical condition levels through the current fiscal year.

	2010	2009	2008	2007	2006	2005	2004	2003
Percent Rated Good/Fair	48	50	53	59	63	65	61	58
Percent Rated Poor	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 2008-09 Management Discussion and Analysis continue to affect the State at the end of Fiscal Year 2009-10, 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. Both Legislative Council and the Governor's Office of State Planning and Budgeting project that there will be no TABOR refunds within their forecasting periods. 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 ratchet down provision of TABOR (discussed earlier in this MDA). However, 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.

- 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 a positive 17.4 percent return on investments in 2009 and 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 67.0 percent at December 31, 2009. Because of the four-year smoothing, the full effect of the negative return and 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, 2009, the amortization period for the plan was 43 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, 2052. The employer contribution rate of 13.85 percent for most State employees as of June 30, 2010, was 2.4 percentage points (or 21.0 percent) above the average during the 1990s. However, based on the 2007, 2008, and 2009 valuations, PERA's actuary estimated that the employer contribution rate would need to have been 17.91, 20.16, and 16.09 percent, respectively, for 2009, 2010, and 2011 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, 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. This legislation sunsets as of June 30, 2011, after which member contribution rates will return to the 8.0 percent level in effect prior to July 1, 2010, and State employer contributions will increase to 14.75 percent including the AED and SAED. However, the Governor's most recent budget balancing plan recommends extending the 2.5 percent swap.

- 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 are 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.

- 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, 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. The Governor's Office of State Planning and Budgeting currently estimates that $333.7 million will be diverted from general-purpose tax revenue in Fiscal Year 2010-11 under this requirement. 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 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, and the Governor's October 22, 2010, proposed budget balancing plan for Fiscal Year 2010-11 extends this deferral to three weeks. 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 ($168.2 million net of related deferred revenue in Fiscal Year 2009-10) 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. Without these expenditure deferrals the State would not have met its statutory General Fund reserve requirement in Fiscal Year 2009-10.

- General Fund Liquidity – The General Fund shows a cash balance of $426.6 million at June 30, 2010, providing apparent liquidity. However, as noted previously, this amount was augmented by $418.4 million of cash transfers from other funds. Additionally, $515.0 million of the cash balance was distributed immediately after fiscal year-end to pay short-term borrowing for the Education Tax Revenue Anticipation Note program, and at least $23.0 million of the cash belongs to the Risk Management Funds reported in the General Fund leaving a deficit balance of approximately ($111.4) million of disposable cash in the fund. When this cash deficit is combined with nontax receivables it is still significantly less than the $558.7 million of accounts payable and accrued liabilities that it must service in the near term. These conditions indicate that the General Fund increasingly comprises tax receivables ($999.9 million) net of tax refunds payable ($657.1 million) and deferred revenue ($194.0 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. When a downturn occurs, tax receivables tend to decline (due to declining personal income) and tax refunds tend to increase (due to higher than required estimated tax and withholding payments). The current economic downturn has resulted in a significant decline in tax collections and an increase in refunds which have exacerbated the lack of General Fund liquidity. The General Fund legally has access to short-term borrowing of the cash balances of other funds; additional cash transfers are scheduled for Fiscal Year 2010-11 and beyond.

- Debt Service

  - Principal and interest payments on the remaining $873.1 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. However, the department is in the process of issuing $300 million of enterprise fund revenue bonds to be paid from this revenue stream, and it has additional large issuances planned.

  - In Fiscal Year 2009-10, the State's governmental funds entered lease purchase agreements of $617.6 million where a trustee issued Certificates of Participation to finance or refinance all or a portion of various construction projects including the Ralph L. Carr Justice Center, the Colorado History Museum, a prison, a hospital building, and a number of school buildings in local school districts. These commitments increased the related debt service to maturity by approximately $889 million. 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 $8,871.0 million (unaudited) in federal awards during Fiscal Year 2009-10 which represents 36.0 percent of the $24,669.3 million expended by the State in total, which is up from the 33.3 percent reported in Fiscal Year 2008-09. 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 $1.3 trillion for the 2011 federal Fiscal Year. The increasing expenditures in both the Social Security and Medicare Part A programs, ARRA spending 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 revenue increases or 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 are 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 ARRA funds in Fiscal Year 2008-09 and $2,461.8 million in Fiscal Year 2009-10 – the most significant Fiscal Year 2009-10 amounts were:

  - $1,355.2 million of Unemployment Benefits,
  - $415.3 million of increased Medicaid funding,
  - $382.1 million of State Fiscal Stabilization Funds expended by the Higher Education Institutions,
  - $87.3 million of State Fiscal Stabilization Funds expended by the Department of Corrections, and
  - $93.1 million distributed to local school districts by the Colorado Department of Education.

  Although Congress authorized an additional $144.5 million of Medicaid Funds and $156.3 million of Educator Jobs Funds, which the State will expend in Fiscal Year 2010-11, the State is nearing the end of the ARRA funding that prevented significant reductions State services to date in the economic downturn.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS
JUNE 30, 2010

(DOLLARS IN THOUSANDS)	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 1,962,934	$ 1,176,181	$ 3,139,115	$ 196,130
Investments	15,224	253,270	268,494	58,291
Taxes Receivable, net	857,246	90,005	947,251	2
Contributions Receivable, net	-	-	-	36,476
Other Receivables, net	158,060	282,053	440,113	172,877
Due From Other Governments	516,248	158,787	675,035	1,456
Internal Balances	14,153	(14,153)	-	-
Due From Component Units	84	14,474	14,558	-
Inventories	16,468	42,779	59,247	15,414
Prepaids, Advances, and Deferred Charges	38,591	19,244	57,835	11,944
Total Current Assets	3,579,008	2,022,640	5,601,648	492,590
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	1,572,925	353,164	1,926,089	114,975
Restricted Investments	687,314	239,719	927,033	254,314
Restricted Receivables	195,753	239,041	434,794	19,213
Investments	529,059	1,206,671	1,735,730	2,014,094
Contributions Receivable, net	-	-	-	52,395
Net Pension Asset	-	-	-	6,922
Other Long-Term Assets	644,867	119,387	764,254	1,162,154
Depreciable Capital Assets and Infrastructure, net	9,689,916	3,912,771	13,602,687	684,165
Land and Nondepreciable Infrastructure	1,637,224	1,207,048	2,844,272	33,410
Total Noncurrent Assets	14,957,058	7,277,801	22,234,859	4,341,642
TOTAL ASSETS	18,536,066	9,300,441	27,836,507	4,834,232
DEFERRED OUTFLOW OF RESOURCES:	-	7,778	7,778	-
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	664,781	-	664,781	-
Accounts Payable and Accrued Liabilities	847,550	596,926	1,444,476	85,212
TABOR Refund Liability (Note 8B)	706	-	706	-
Due To Other Governments	181,684	406,275	587,959	1,395
Due To Component Units	-	466	466	-
Deferred Revenue	128,404	232,371	360,775	9,277
Accrued Compensated Absences	10,287	13,035	23,322	16,406
Claims and Judgments Payable	44,181	-	44,181	14,171
Leases Payable	11,384	6,672	18,056	598
Notes, Bonds, and COP's Payable	642,445	100,329	742,774	68,598
Other Current Liabilities	20,432	126,232	146,664	136,731
Total Current Liabilities	2,551,854	1,482,306	4,034,160	332,388
Noncurrent Liabilities:				
Deposits Held In Custody For Others	13	-	13	225,449
Accrued Compensated Absences	138,224	196,295	334,519	-
Claims and Judgments Payable	347,394	29,461	376,855	-
Capital Lease Payable	85,746	76,702	162,448	2,746
Derivative Instrument Liability	-	7,778	7,778	-
Notes, Bonds, and COP's Payable	1,554,964	2,682,987	4,237,951	1,489,101
Due to Component Units	-	2,501	2,501	-
Other Postemployment Benefits	-	47,259	47,259	-
Other Long-Term Liabilities	402,599	36,450	439,049	86,538
Total Noncurrent Liabilities	2,528,940	3,079,433	5,608,373	1,803,834
TOTAL LIABILITIES	5,080,794	4,561,739	9,642,533	2,136,222
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	10,118,621	2,854,803	12,973,424	214,989
Restricted for:				
Highway Construction and Maintenance	1,198,849	-	1,198,849	-
State Education	194,586	-	194,586	-
Debt Service	4,093	6,100	10,193	-
Emergencies	94,000	16,257	110,257	21
Permanent Funds and Endowments:				
Expendable	11,130	6,825	17,955	643,086
Nonexpendable	643,148	71,738	714,886	601,122
Court Awards and Other Purposes	138,826	630,890	769,716	512,294
Unrestricted	1,052,019	1,159,867	2,211,886	726,498
TOTAL NET ASSETS	$ 13,455,272	$ 4,746,480	$ 18,201,752	$ 2,698,010

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

(DOLLARS IN THOUSANDS)	Expenses		Program Revenues		
Functions/Programs	Expenses	Indirect Cost Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:					
Governmental Activities:					
General Government	$ 211,927	$ (22,062)	$ 119,989	$ 244,173	$ -
Business, Community, and Consumer Affairs	659,007	3,847	134,095	305,201	-
Education	5,094,566	1,466	18,136	662,815	232
Health and Rehabilitation	657,964	1,223	79,932	393,293	-
Justice	1,522,098	5,759	186,666	152,708	1,511
Natural Resources	142,793	1,652	116,917	78,699	277
Social Assistance	6,089,932	2,026	348,599	3,939,709	-
Transportation	2,104,101	1,587	394,380	109,059	605,363
Interest on Debt	33,203	-	-	-	-
Total Governmental Activities	16,515,591	(4,502)	1,398,714	5,885,657	607,383
Business-Type Activities:					
Higher Education	4,448,904	2,637	2,625,172	2,012,682	21,923
Unemployment Insurance	2,496,188	-	495,664	1,486,326	-
CollegeInvest	68,650	-	64,644	27,843	-
Lottery	455,829	523	513,292	1,237	-
Wildlife	104,231	806	87,495	23,218	2,325
College Assist	409,928	99	3,053	397,985	-
Other Business-Type Activities	169,973	437	202,357	8,019	371
Total Business-Type Activities	8,153,703	4,502	3,991,677	3,957,310	24,619
Total Primary Government	24,669,294	-	5,390,391	9,842,967	632,002
Component Units:					
University of Colorado Hospital Authority	688,893		795,977	2,494	2,643
Colorado Water Resources and Power Development Authority	94,931		47,488	37,967	-
University of Colorado Foundation	91,476		5,100	141,741	-
Colorado State University Foundation	33,867		-	38,428	-
Colorado School of Mines Foundation	13,617		-	29,158	-
University of Northern Colorado Foundation	9,989		-	1,769	-
Other Component Units	94,176		66,858	2,204	442
Total Component Units	$ 1,026,949	$ -	$ 915,423	$ 253,761	$ 3,085

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 33)
(Transfers-Out) / Transfers-In
Permanent Fund Additions

Total General Revenues, Special Items, and Transfers

Change in Net Assets

Net Assets - Beginning
- Prior Period Adjustment (See Note 29)
- Accounting Changes (Note 29)

Net Assets - Ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ 174,297	$ -	$ 174,297	
(223,558)	-	(223,558)	
(4,414,849)	-	(4,414,849)	
(185,962)	-	(185,962)	
(1,186,972)	-	(1,186,972)	
51,448	-	51,448	
(1,803,650)	-	(1,803,650)	
(996,886)	-	(996,886)	
(33,203)	-	(33,203)	
(8,619,335)	-	(8,619,335)	
-	208,236	208,236	
-	(514,198)	(514,198)	
-	23,837	23,837	
-	58,177	58,177	
-	8,001	8,001	
-	(8,989)	(8,989)	
-	40,337	40,337	
-	(184,599)	(184,599)	
(8,619,335)	(184,599)	(8,803,934)	
-	-	-	112,221
-	-	-	(9,476)
-	-	-	55,365
-	-	-	4,561
-	-	-	15,541
-	-	-	(8,220)
-	-	-	(24,672)
-	-	-	145,320
1,987,576	-	1,987,576	-
244,344	-	244,344	-
3,770,597	-	3,770,597	-
360,852	-	360,852	-
376,388	-	376,388	-
305,595	-	305,595	-
23,358	-	23,358	-
542,883	-	542,883	-
1,451	-	1,451	-
10,215	-	10,215	117,066
112,138	-	112,138	-
-	-	-	36,123
-	(79,575)	(79,575)	-
(94,993)	94,993	-	-
357	-	357	-
7,640,761	15,418	7,656,179	153,189
(978,574)	(169,181)	(1,147,755)	298,510
15,477,205	4,880,112	20,357,317	2,399,500
(594,624)	35,549	(559,075)	-
(448,735)	-	(448,735)	-
$ 13,455,272	$ 4,746,480	$ 18,201,752	$ 2,698,010

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

(DOLLARS IN THOUSANDS)	GENERAL	STATE PUBLIC SCHOOL	HIGHWAY USERS TAX
ASSETS:			
Cash and Pooled Cash	$ 426,601	$ 25,092	$ 31,722
Taxes Receivable, net	999,855	-	-
Other Receivables, net	45,102	-	3,726
Due From Other Governments	489,965	4,285	279
Due From Other Funds	25,187	6,032	214
Due From Component Units	84	-	-
Inventories	6,962	-	7,799
Prepaids, Advances, and Deferred Charges	18,451	-	79
Restricted Cash and Pooled Cash	-	-	1,179,468
Restricted Investments	-	-	-
Restricted Receivables	-	-	181,800
Investments	5,477	-	-
Other Long-Term Assets	-	-	18,826
Capital Assets Held as Investments	-	-	-
TOTAL ASSETS	$ 2,017,684	$ 35,409	$ 1,423,913
LIABILITIES:			
Tax Refunds Payable	$ 657,130	$ -	$ 2,568
Accounts Payable and Accrued Liabilities	558,702	153	94,003
TABOR Refund Liability (Note 8B)	706	-	-
Due To Other Governments	41,192	-	59,764
Due To Other Funds	28,457	-	1,116
Deferred Revenue	187,897	2,581	23,908
Compensated Absences Payable	33	-	-
Claims and Judgments Payable	513	-	-
Notes, Bonds, and COP's Payable	515,000	-	-
Other Current Liabilities	12,262	-	25
Deposits Held In Custody For Others	8	-	-
TOTAL LIABILITIES	2,001,900	2,734	181,384
FUND BALANCES:			
Reserved for:			
Encumbrances	5,721	-	960,899
Noncurrent Assets	-	-	18,826
Debt Service	-	-	-
Statutory Purposes	-	-	-
Risk Management	23,031	-	-
Emergencies	-	-	-
Funds Reported as Restricted	-	-	213,605
Unreserved Undesignated, Reported in:			
General Fund	(30,822)	-	-
Special Revenue Funds	-	32,675	24,473
Capital Projects Funds	-	-	-
Nonmajor Special Revenue Funds	-	-	-
Nonmajor Permanent Funds	-	-	-
Unreserved:			
Designated for Unrealized Investment Gains:			
Reported in Major Funds	17,854	-	24,726
Reported in Nonmajor Special Revenue Funds	-	-	-
Reported in Nonmajor Permanent Funds	-	-	-
TOTAL FUND BALANCES	15,784	32,675	1,242,529
TOTAL LIABILITIES AND FUND BALANCES	$ 2,017,684	$ 35,409	$ 1,423,913

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ 101,051	$ -	$ 1,359,550	$ 1,944,016
-	-	51,433	1,051,288
8,074	-	100,237	157,139
6,078	-	15,486	516,093
7,973	-	215,457	254,863
-	-	-	84
-	-	423	15,184
1,852	20	17,647	38,049
-	146,152	247,305	1,572,925
-	53,179	634,135	687,314
-	1,015	12,938	195,753
299,272	-	239,534	544,283
112	-	431,719	450,657
-	-	20,088	20,088
$ 424,412	$ 200,366	$ 3,345,952	$ 7,447,736
$ -	$ -	$ 5,083	$ 664,781
37,113	5,550	117,654	813,175
-	-	-	706
-	-	80,728	181,684
233	230	229,268	259,304
487	-	107,184	322,057
-	-	-	33
-	-	135	648
-	-	-	515,000
1,520	-	233	14,040
-	-	5	13
39,353	5,780	540,290	2,771,441
91,673	-	-	1,058,293
112	-	565,890	584,828
-	-	4,093	4,093
325,463	-	-	325,463
-	-	-	23,031
-	-	94,000	94,000
-	188,247	749,596	1,151,448
-	-	-	(30,822)
-	-	-	57,148
(35,611)	-	-	(35,611)
-	-	1,302,178	1,302,178
-	-	10,586	10,586
3,422	6,339	-	52,341
-	-	40,778	40,778
-	-	38,541	38,541
385,059	194,586	2,805,662	4,676,295
$ 424,412	$ 200,366	$ 3,345,952	$ 7,447,736

GOVERNMENTAL FUNDS BALANCE SHEET RECONCILED TO STATEMENT OF NET ASSETS JUNE 30, 2010

(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	(A) INTERNAL SERVICE FUNDS	(B) CAPITAL ASSET BALANCES	(C) DEBT RELATED BALANCES	(D) CENTRALIZED RISK MANAGEMENT LIABILITIES	(E) OTHER MEASUREMENT FOCUS ADJUSTMENTS	(F) INTERNAL BALANCES ELIMINATION	STATEMENT OF NET ASSETS TOTALS
ASSETS:								
Current Assets:								
Cash and Pooled Cash	$ 1,944,016	$ 18,913	$ -	$ -	$ -	$ 5	$ -	$ 1,962,934
Investments	-	-	-	-	-	15,224	-	15,224
Taxes Receivable, net	1,051,288	-	-	-	-	(194,042)	-	857,246
Other Receivables, net	157,139	858	-	-	-	63	-	158,060
Due From Other Governments	516,093	155	-	-	-	-	-	516,248
Due From Other Funds	254,863	511	-	-	-	-	(241,221)	14,153
Due From Component Units	84	-	-	-	-	-	-	84
Inventories	15,184	1,284	-	-	-	-	-	16,468
Prepaids, Advances, and Deferred Charges	38,049	542	-	-	-	-	-	38,591
Total Current Assets	3,976,716	22,263	-	-	-	(178,750)	(241,221)	3,579,008
Noncurrent Assets:								
Restricted Cash and Pooled Cash	1,572,925	-	-	-	-	-	-	1,572,925
Restricted Investments	687,314	-	-	-	-	-	-	687,314
Restricted Receivables	195,753	-	-	-	-	-	-	195,753
Investments	544,283	-	-	-	-	(15,224)	-	529,059
Other Long-Term Assets	450,657	107	-	-	-	194,103	-	644,867
Depreciable Capital Assets and Infrastructure, net	-	88,559	9,601,357	-	-	-	-	9,689,916
Land and Nondepreciable Infrastructure	20,088	-	1,617,136	-	-	-	-	1,637,224
Total Noncurrent Assets	3,471,020	88,666	11,218,493	-	-	178,879	-	14,957,058
TOTAL ASSETS	7,447,736	110,929	11,218,493	-	-	129	(241,221)	18,536,066
LIABILITIES:								
Current Liabilities:								
Tax Refunds Payable	664,781	-	-	-	-	-	-	664,781
Accounts Payable and Accrued Liabilities	813,175	6,057	-	10,233	-	18,085	-	847,550
TABOR Refund Liability (Note 8B)	706	-	-	-	-	-	-	706
Due To Other Governments	181,684	-	-	-	-	-	-	181,684
Due To Other Funds	259,304	2	-	-	-	(18,085)	(241,221)	-
Deferred Revenue	322,057	389	-	-	-	(194,042)	-	128,404
Compensated Absences Payable	33	45	-	-	-	10,209	-	10,287
Claims and Judgments Payable	648	-	-	-	31,829	11,704	-	44,181
Leases Payable	-	8,870	-	2,514	-	-	-	11,384
Notes, Bonds, and COP's Payable	515,000	4,195	-	123,250	-	-	-	642,445
Other Current Liabilities	14,040	-	-	-	-	6,392	-	20,432
Total Current Liabilities	2,771,428	19,558	-	135,997	31,829	(165,737)	(241,221)	2,551,854
Noncurrent Liabilities:								
Deposits Held In Custody For Others	13	-	-	-	-	-	-	13
Accrued Compensated Absences	-	2,578	-	-	-	135,646	-	138,224
Claims and Judgments Payable	-	-	-	-	-	347,394	-	347,394
Capital Lease Payable	-	58,452	-	27,294	-	-	-	85,746
Notes, Bonds, and COP's Payable	-	8,329	-	1,546,635	-	-	-	1,554,964
Other Long-Term Liabilities	-	-	-	-	91,896	310,703	-	402,599
Total Noncurrent Liabilities	13	69,359	-	1,573,929	91,896	793,743	-	2,528,940
TOTAL LIABILITIES	2,771,441	88,917	-	1,709,926	123,725	628,006	(241,221)	5,080,794
NET ASSETS:								
Invested in Capital Assets, Net of Related Debt	20,088	8,713	11,218,493	(1,128,673)	-	-	-	10,118,621
Restricted for:								
Highway Construction and Maintenance	1,198,849	-	-	-	-	-	-	1,198,849
State Education	194,586	-	-	-	-	-	-	194,586
Debt Service	4,093	-	-	-	-	-	-	4,093
Emergencies	94,000	-	-	-	-	-	-	94,000
Permanent Funds and Endowments:								
Expendable	11,130	-	-	-	-	-	-	11,130
Nonexpendable	643,148	-	-	-	-	-	-	643,148
Court Awards and Other Purposes	138,826	-	-	-	-	-	-	138,826
Unrestricted	2,371,575	13,299	-	(581,253)	(123,725)	(627,877)	-	1,052,019
TOTAL NET ASSETS	$ 4,676,295	$ 22,012	$ 11,218,493	$ (1,709,926)	$ (123,725)	$ (627,877)	$ -	$ 13,455,272

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 management services,
- Telecommunication services,
- Building maintenance and management in the capitol complex,
- Administrative hearings services, and
- Debt collection.

(B) Capital assets used in governmental activities are not financial resources, and therefore, they are not included in the fund-level financial statements. However, capital assets are economic resources and 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 portion of the long-term balance is related to Transportation Revenue Anticipation Notes issued by the Department of Transportation.

(D) Risk management liabilities are actuarially determined claims and consist of a current and long-term portion. Generally accepted accounting principles (GAAP) list claims and judgments as an exception to the full accrual basis of accounting that constitutes the modified accrual basis of accounting. The current portion (payable within one year) is excluded from the fund-level statements because it is not payable with expendable available financial resources. In this instance, "payable with expendable available financial resources" means the amounts are not accrued as fund liabilities because they are not budgeted in the current year. The long-term portion of the risk management liability is excluded from the fund-level statements because it is not due and payable in the current period.

(E) Other measurement focus adjustments include:

- Interfund balances receivable from or payable to Fiduciary Funds are reported on the fund-level *Balance Sheet – Governmental Funds* as due from/to other funds. On the government-wide *Statement of Net Assets*, these amounts are considered external receivables and payables.
- Long-term assets and long-term taxes receivable are not available to pay for current period expenditures; therefore, the related revenue is reported as deferred revenue on the fund-level *Balance Sheet – Governmental Funds*. From an economic perspective, this revenue is earned and the related deferred revenue is removed from the government-wide *Statement of Net Assets* when the revenue is recognized on the government-wide *Statement of Activities*.
- Compensated absences are a GAAP modification of the full accrual basis of accounting similar to claims and judgments discussed above. Therefore, both the current and long-term portions of the liability are shown on the government-wide *Statement of Net Assets*, but they are not reported on the fund-level *Balance Sheet – Governmental Funds*.
- Other long-term liabilities are not reported on the fund-level *Balance Sheet – Governmental Funds* because the amounts are not due and payable from current financial resources. However, from an economic perspective, these liabilities reduce net assets, and they are therefore reported on the government-wide *Statement of Net Assets*.

(F) All interfund payable balances shown on the fund-level *Balance Sheet – Governmental Funds* are reported in the internal balances line on the government-wide *Statement of Net Assets* along with all governmental-activities interfund receivables.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2010

(DOLLARS IN THOUSANDS)	GENERAL	STATE PUBLIC SCHOOL	HIGHWAY USERS TAX
REVENUES:			
Taxes:			
Individual and Fiduciary Income	$ 3,776,848	$ -	$ -
Corporate Income	350,068	-	-
Sales and Use	1,979,101	-	-
Excise	92,372	-	542,880
Other Taxes	187,718	-	1,451
Licenses, Permits, and Fines	40,329	-	320,188
Charges for Goods and Services	52,457	-	114,655
Rents	403	-	1,298
Investment Income (Loss)	24,077	34	36,157
Federal Grants and Contracts	6,020,197	-	630,188
Additions to Permanent Funds	-	-	-
Unclaimed Property Receipts	-	-	-
Other	99,639	7,286	46,578
TOTAL REVENUES	12,623,209	7,320	1,693,395
EXPENDITURES:			
Current:			
General Government	703,497	-	10,114
Business, Community, and Consumer Affairs	194,777	-	-
Education	771,628	-	-
Health and Rehabilitation	486,029	-	9,045
Justice	1,154,142	-	84,378
Natural Resources	54,325	-	-
Social Assistance	4,236,131	-	-
Transportation	-	-	1,015,931
Capital Outlay	17,086	-	26,399
Intergovernmental:			
Cities	28,346	-	133,552
Counties	1,937,857	-	184,883
School Districts	699,165	3,144,500	-
Special Districts	30,874	-	54,965
Federal	1,908	-	-
Other	51,056	-	757
Debt Service	8,672	-	-
TOTAL EXPENDITURES	10,375,493	3,144,500	1,520,024
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,247,716	(3,137,180)	173,371
OTHER FINANCING SOURCES (USES):			
Transfers-In	1,128,881	3,187,299	348
Transfers-Out	(3,694,372)	(41,609)	(235,580)
Face Amount of Bond/COP Issuance	-	-	-
Bond/COP Premium/Discount	-	-	-
Capital Lease Proceeds	355	-	-
Sale of Capital Assets	8	-	-
Insurance Recoveries	1,778	-	590
TOTAL OTHER FINANCING SOURCES (USES)	(2,563,350)	3,145,690	(234,642)
NET CHANGE IN FUND BALANCES	(315,634)	8,510	(61,271)
FUND BALANCE, FISCAL YEAR BEGINNING	335,433	24,165	1,303,800
Prior Period Adjustment (See Note 29)	(4,015)	-	-
FUND BALANCE, FISCAL YEAR END	$ 15,784	$ 32,675	$ 1,242,529

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ -	$ 306,928	$ -	$ 4,083,776
-	22,025	-	372,093
-	-	24,844	2,003,945
-	-	151,964	787,216
-	-	203,627	392,796
6	-	373,126	733,649
25	-	384,450	551,587
-	-	77,817	79,518
7,393	9,221	122,545	199,427
28,390	-	344,547	7,023,322
-	-	357	357
-	-	42,155	42,155
462	88	37,866	191,919
36,276	338,262	1,763,298	16,461,760
19,016	-	42,011	774,638
531	-	173,510	368,818
20,070	32,661	30,655	855,014
391	-	87,400	582,865
50,009	-	26,520	1,315,049
1,445	-	69,791	125,561
346	-	216,263	4,452,740
-	-	1,402	1,017,333
129,930	-	66,876	240,291
153	-	119,021	281,072
48	-	130,608	2,253,396
-	441,467	80,155	4,365,287
-	-	33,636	119,475
-	-	1,724	3,632
233	915	42,814	95,775
-	-	185,330	194,002
222,172	475,043	1,307,716	17,044,948
(185,896)	(136,781)	455,582	(583,188)
27,924	-	988,397	5,332,849
(67,321)	(6,998)	(1,342,721)	(5,388,601)
371,790	-	186,830	558,620
7,295	-	880	8,175
-	-	-	355
-	-	8	16
1,563	-	253	4,184
341,251	(6,998)	(166,353)	515,598
155,355	(143,779)	289,229	(67,590)
229,704	338,365	2,553,646	4,785,113
-	-	(37,213)	(41,228)
$ 385,059	$ 194,586	$ 2,805,662	$ 4,676,295

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES RECONCILED TO STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2010

(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	(A) INTERNAL SERVICE FUNDS	(B) CAPITAL RELATED ITEMS	(C) LONG-TERM DEBT TRANSACTIONS	(D) OTHER MEASUREMENT FOCUS ADJUSTMENTS	STATEMENT OF ACTIVITIES TOTALS
REVENUES:						
Taxes:						
Individual and Fiduciary Income	$ 4,083,776	$ -	$ -	$ -	$ (6,349)	$ 4,077,427
Corporate Income	372,093	-	-	-	10,784	382,877
Sales and Use	2,003,945	-	-	-	(16,368)	1,987,577
Excise	787,216	-	-	-	9	787,225
Other Taxes	392,796	-	-	-	4,884	397,680
Licenses, Permits, and Fines	733,649	-	-	-	(27)	733,622
Charges for Goods and Services	551,587	-	-	-	-	551,587
Rents	79,518	-	-	-	-	79,518
Investment Income (Loss)	199,427	27	-	-	(13)	199,441
Federal Grants and Contracts	7,023,322	-	-	-	(169)	7,023,153
Additions to Permanent Funds	357	-	-	-	-	357
Unclaimed Property Receipts	42,155	-	-	-	-	42,155
Other	191,919	-	61	-	1,200	193,180
TOTAL REVENUES	16,461,760	27	61	-	(6,049)	16,455,799
EXPENDITURES:						
Current:						
General Government	774,638	(2,794)	20,041	-	22,011	813,896
Business, Community, and Consumer Affairs	368,818	(1,369)	4,200	-	(25,522)	346,127
Education	855,014	(270)	1,124	-	155	856,023
Health and Rehabilitation	582,865	(223)	5,826	-	(298)	588,170
Justice	1,315,049	(1,696)	(10,087)	-	(1,274)	1,301,992
Natural Resources	125,561	(647)	7,685	-	969	133,568
Social Assistance	4,452,740	(1,570)	8,065	-	181	4,459,416
Transportation	1,017,333	151	630,296	-	(509)	1,647,271
Capital Outlay	240,291	-	(214,791)	-	-	25,500
Intergovernmental:						
Cities	281,072	-	-	-	-	281,072
Counties	2,253,396	-	-	-	-	2,253,396
School Districts	4,365,287	-	-	-	-	4,365,287
Special Districts	119,475	-	-	-	-	119,475
Federal	3,632	-	(2,751)	-	-	881
Other	95,775	-	-	-	-	95,775
Debt Service	194,002	3,084	-	(108,768)	-	88,318
TOTAL EXPENDITURES	17,044,948	(5,334)	449,608	(108,768)	(4,287)	17,376,167
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(583,188)	5,361	(449,547)	108,768	(1,762)	(920,368)
OTHER FINANCING SOURCES (USES):						
Transfers-In	5,332,849	2,363	-	-	-	5,335,212
Transfers-Out	(5,388,601)	(5,108)	-	-	-	(5,393,709)
Face Amount of Bond/COP Issuance	558,620	-	-	(558,620)	-	-
Bond/COP Premium/Discount	8,175	-	-	(8,162)	-	13
Capital Lease Proceeds	355	-	-	(355)	-	-
Sale of Capital Assets	16	-	(4,685)	-	-	(4,669)
Insurance Recoveries	4,184	-	-	-	-	4,184
TOTAL OTHER FINANCING SOURCES (USES)	515,598	(2,745)	(4,685)	(567,137)	-	(58,969)
Internal Service Fund Charges to BTAs	-	763	-	-	-	763
NET CHANGE FOR THE YEAR	$ (67,590)	$ 3,379	$ (454,232)	$ (458,369)	$ (1,762)	$ (978,574)

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 management services,
- Telecommunication services,
- Building maintenance and management in the capitol complex,
- Administrative hearings 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, 2010

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 915,148	$ 2,664
Investments	249,180	-
Premiums Receivable, net	-	90,005
Student and Other Receivables, net	239,349	7,163
Due From Other Governments	145,138	8,734
Due From Other Funds	7,603	270
Due From Component Units	14,474	-
Inventories	28,854	-
Prepaids, Advances, and Deferred Charges	13,962	-
Total Current Assets	1,613,708	108,836
Noncurrent Assets:		
Restricted Cash and Pooled Cash	276,664	-
Restricted Investments	196,609	-
Restricted Receivables	-	-
Investments	1,168,257	-
Other Long-Term Assets	116,392	-
Depreciable Capital Assets and Infrastructure, net	3,795,253	-
Land and Nondepreciable Infrastructure	1,006,241	-
Total Noncurrent Assets	6,559,416	-
TOTAL ASSETS	8,173,124	108,836
DEFERRED OUTFLOW OF RESOURCES:	7,778	-
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	498,002	37,453
Due To Other Governments	-	173,129
Due To Other Funds	12,012	304
Due To Component Units	466	-
Deferred Revenue	200,296	-
Compensated Absences Payable	12,022	-
Leases Payable	6,422	-
Notes, Bonds, and COP's Payable	59,589	-
Other Current Liabilities	68,575	13,708
Total Current Liabilities	857,384	224,594
Noncurrent Liabilities:		
Accrued Compensated Absences	186,245	-
Claims and Judgments Payable	29,461	-
Capital Lease Payable	73,822	-
Derivative Instrument Liability	7,778	-
Notes, Bonds, and COP's Payable	2,672,938	-
Due to Component Units	2,501	-
Other Postemployment Benefits	47,259	-
Other Long-Term Liabilities	8,548	-
Total Noncurrent Liabilities	3,028,552	-
TOTAL LIABILITIES	3,885,936	224,594
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	2,550,432	-
Restricted for:		
Debt Service	6,100	-
Emergencies	-	-
Permanent Funds and Endowments:		
Expendable	6,825	-
Nonexpendable	71,738	-
Court Awards and Other Purposes	604,746	-
Unrestricted	1,055,125	(115,758)
TOTAL NET ASSETS	$ 4,294,966	$ (115,758)

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
COLLEGEINVEST	STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ 44,081	$ 42,448	$ 171,840	$ 1,176,181	$ 18,913
3,527	-	563	253,270	-
-	-	-	90,005	-
462	19,982	15,042	281,998	858
-	-	4,915	158,787	155
-	-	4,172	12,045	511
-	-	-	14,474	-
-	1,270	12,655	42,779	1,284
145	3,983	1,154	19,244	542
48,215	67,683	210,341	2,048,783	22,263
-	-	76,500	353,164	-
43,110	-	-	239,719	-
201,368	-	37,673	239,041	-
38,414	-	-	1,206,671	-
767	-	2,228	119,387	107
67	3,830	113,621	3,912,771	88,559
-	-	200,807	1,207,048	-
283,726	3,830	430,829	7,277,801	88,666
331,941	71,513	641,170	9,326,584	110,929
-	-	-	7,778	-
12,429	3,634	22,969	574,487	6,057
202,239	15	30,892	406,275	-
5,680	30,254	332	48,582	2
-	-	-	466	-
-	-	32,075	232,371	389
-	23	990	13,035	45
-	-	250	6,672	8,870
-	-	40,740	100,329	4,195
4,788	30,083	9,078	126,232	-
225,136	64,009	137,326	1,508,449	19,558
159	952	8,939	196,295	2,578
-	-	-	29,461	-
-	-	2,880	76,702	58,452
-	-	-	7,778	-
-	-	10,049	2,682,987	8,329
-	-	-	2,501	-
-	-	-	47,259	-
27,828	74	-	36,450	-
27,987	1,026	21,868	3,079,433	69,359
253,123	65,035	159,194	4,587,882	88,917
67	3,830	300,474	2,854,803	8,713
-	-	-	6,100	-
-	-	16,257	16,257	-
-	-	-	6,825	-
-	-	-	71,738	-
-	-	26,144	630,890	-
78,751	2,648	139,101	1,159,867	13,299
$ 78,818	$ 6,478	$ 481,976	$ 4,746,480	$ 22,012

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2010

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
OPERATING REVENUES:		
Unemployment Insurance Premiums	$ -	$ 491,717
License and Permits	-	67
Tuition and Fees	1,800,462	-
Scholarship Allowance for Tuition and Fees	(421,868)	-
Sales of Goods and Services	1,172,120	-
Scholarship Allowance for Sales of Goods & Services	(21,181)	-
Investment Income (Loss)	938	-
Rental Income	14,349	-
Gifts and Donations	25,978	-
Federal Grants and Contracts	939,161	1,481,454
Intergovernmental Revenue	14,531	-
Other	226,025	1,622
TOTAL OPERATING REVENUES	3,750,515	1,974,860
OPERATING EXPENSES:		
Salaries and Fringe Benefits	3,148,995	708
Operating and Travel	761,870	2,496,382
Cost of Goods Sold	152,275	-
Depreciation and Amortization	247,349	-
Intergovernmental Distributions	33,810	-
Debt Service	-	-
Prizes and Awards	445	-
TOTAL OPERATING EXPENSES	4,344,744	2,497,090
OPERATING INCOME (LOSS)	(594,229)	(522,230)
NONOPERATING REVENUES AND (EXPENSES):		
Taxes	-	-
Fines and Settlements	22	2,258
Investment Income (Loss)	140,467	5,774
Rental Income	8,251	1
Gifts and Donations	108,103	-
Intergovernmental Distributions	(11,663)	-
Federal Grants and Contracts	603,623	-
Gain/(Loss) on Sale or Impairment of Capital Assets	1,366	-
Insurance Recoveries from Prior Year Impairments	9	-
Debt Service	(94,053)	-
Other Expenses	(73)	-
Other Revenues	15,351	-
TOTAL NONOPERATING REVENUES (EXPENSES)	771,403	8,033
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	177,174	(514,197)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	66,420	-
Special and/or Extraordinary Item (See Note 33)	-	-
Transfers-In	174,473	-
Transfers-Out	(9,564)	(2,031)
TOTAL CONTRIBUTIONS AND TRANSFERS	231,329	(2,031)
CHANGE IN NET ASSETS	408,503	(516,228)
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	3,884,214	392,984
Prior Period Adjustments (See Note 29)	2,249	7,486
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 4,294,966	$ (115,758)

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
COLLEGEINVEST	STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ -	$ -	$ -	$ 491,717	$ -
-	64	80,690	80,821	-
-	-	221	1,800,683	-
-	-	-	(421,868)	-
71	512,327	154,739	1,839,257	110,905
-	-	-	(21,181)	-
12,076	-	3,795	16,809	-
-	-	1,305	15,654	11,343
-	-	-	25,978	-
15,934	-	432,895	2,869,444	-
-	-	11,465	25,996	-
64,571	875	4,082	297,175	609
92,652	513,266	689,192	7,020,485	122,857
2,763	8,562	178,842	3,339,870	35,521
3,823	56,087	445,247	3,763,409	59,188
2,246	12,689	30,427	197,637	7,937
129	621	8,356	256,455	15,093
36,123	-	5,167	75,100	283
23,732	-	16,105	39,837	-
-	321,495	764	322,704	-
68,816	399,454	684,908	7,995,012	118,022
23,836	113,812	4,284	(974,527)	4,835
-	-	26,125	26,125	-
-	-	557	2,837	-
-	1,237	4,240	151,718	27
-	25	718	8,995	-
-	-	1,993	110,096	-
-	(56,382)	-	(68,045)	-
-	-	-	603,623	98
-	(40)	184	1,510	2,476
-	-	10	19	5
-	-	(595)	(94,648)	(3,015)
-	-	(67)	(140)	(70)
-	-	-	15,351	-
-	(55,160)	33,165	757,441	(479)
23,836	58,652	37,449	(217,086)	4,356
-	-	3,562	69,982	1,768
(79,575)	-	-	(79,575)	-
162	-	4,726	179,361	2,363
(44,843)	(57,088)	(8,337)	(121,863)	(5,109)
(124,256)	(57,088)	(49)	47,905	(978)
(100,420)	1,564	37,400	(169,181)	3,378
179,338	4,914	418,662	4,880,112	51,091
(100)	-	25,914	35,549	(32,457)
$ 78,818	$ 6,478	$ 481,976	$ 4,746,480	$ 22,012

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Tuition, Fees, and Student Loans	$ 1,388,827	$ -
Fees for Service	1,084,815	-
Sales of Products	29,690	-
Gifts, Grants, and Contracts	1,730,704	1,491,513
Loan and Note Repayments	334,609	-
Unemployment Insurance Taxes	-	629,096
Income from Property	22,599	-
Other Sources	93,176	-
Cash Payments to or for:		
Employees	(2,970,434)	-
Suppliers	(1,003,745)	-
Sales Commissions and Lottery Prizes	-	-
Unemployment Benefits	-	(2,478,032)
Scholarships	(110,679)	-
Others for Student Loans and Loan Losses	(334,980)	-
Other Governments	(33,810)	-
Other	(59,595)	(901)
NET CASH PROVIDED BY OPERATING ACTIVITIES	171,177	(358,324)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers-In	174,473	-
Transfers-Out	(9,564)	(2,031)
Receipt of Deposits Held in Custody	535,992	-
Release of Deposits Held in Custody	(534,653)	-
Gifts and Grants for Other Than Capital Purposes	107,338	-
Intergovernmental Distributions	(11,663)	-
NonCapital Debt Proceeds	-	-
NonCapital Debt Service Payments	(469)	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	261,454	(2,031)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(694,980)	-
Capital Contributions	30,480	-
Capital Gifts, Grants, and Contracts	26,295	-
Proceeds from Sale of Capital Assets	6,495	-
Capital Debt Proceeds	556,218	-
Capital Debt Service Payments	(211,891)	-
Capital Lease Payments	(57,852)	-
NET CASH FROM CAPITAL RELATED FINANCING ACTIVITIES	(345,235)	-

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

(Continued)

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
COLLEGEINVEST	STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
$ -	$ -	$ 260	$ 1,389,087	$ -
1,318	-	194,847	1,280,980	108,860
-	513,229	54,461	597,380	1,079
215,601	-	435,411	3,873,229	241
201,412	-	-	536,021	-
-	-	-	629,096	-
1,537,674	25	2,250	1,562,548	11,367
-	939	28,819	122,934	682
(2,819)	(8,104)	(121,170)	(3,102,527)	(35,014)
(23,720)	(31,405)	(175,878)	(1,234,748)	(71,891)
-	(357,386)	(5,734)	(363,120)	(731)
-	-	-	(2,478,032)	-
-	-	-	(110,679)	-
(196,603)	-	(367,827)	(899,410)	-
(36,123)	-	(5,297)	(75,230)	(283)
(551)	(10)	(5,791)	(66,848)	(112)
1,696,189	117,288	34,351	1,660,681	14,198
162	-	4,726	179,361	2,363
(44,843)	(57,088)	(8,337)	(121,863)	(5,109)
-	-	7	535,999	-
-	-	(123)	(534,776)	-
-	-	1,547	108,885	-
-	(54,220)	-	(65,883)	-
-	-	24	24	-
(1,713,512)	-	(573)	(1,714,554)	-
(1,758,193)	(111,308)	(2,729)	(1,612,807)	(2,746)
-	(1,748)	(18,437)	(715,165)	(24,765)
-	-	-	30,480	-
-	-	-	26,295	-
-	16	1,386	7,897	16,084
-	-	40,010	596,228	-
-	-	(599)	(212,490)	(6,313)
-	-	(395)	(58,247)	(1,403)
-	(1,732)	21,965	(325,002)	(16,397)

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010 **(Continued)**

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	62,662	5,773
Proceeds from Sale/Maturity of Investments	3,463,088	-
Purchases of Investments	(3,434,787)	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	8,006	1
NET CASH FROM INVESTING ACTIVITIES	98,969	5,774
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	186,365	(354,581)
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	1,005,030	349,759
Prior Period Adjustment	417	7,486
CASH AND POOLED CASH, FISCAL YEAR END	$ 1,191,812	$ 2,664
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (594,229)	$ (522,230)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	247,349	-
Investment/Rental Income and Other Revenue in Operating Income	-	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	628,600	2,259
(Gain)/Loss on Disposal of Capital and Other Assets	744	-
Compensated Absences	11,985	-
Interest and Other Expense in Operating Income	(58,825)	-
Net Changes in Assets and Liabilities Related to Operating Activities:		
(Increase) Decrease in Operating Receivables	(53,942)	(9,573)
(Increase) Decrease in Inventories	677	-
(Increase) Decrease in Other Operating Assets	3,240	-
Increase (Decrease) in Accounts Payable	25,528	208,406
Increase (Decrease) in Other Operating Liabilities	(39,950)	(37,186)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 171,177	$ (358,324)
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:		
Capital Assets Funded by the Capital Projects Fund	-	-
Capital Assets Acquired by Grants or Donations and Payable Increases	8,181	-
Unrealized Gain/Loss on Investments and Interest Receivable Accruals	67,702	-
Loss on Disposal of Capital and Other Assets	2,250	
Disposal of Capital Assets	-	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	1,628	-
Assumption of Capital Lease Obligation or Mortgage	1,717	-
Financed Debt Issuance Costs	5,140	-
Gain on Debt Defeasance	-	-
Derivative Instrument	7,778	-

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
COLLEGEINVEST	STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
1,668	863	6,036	77,002	69
95,641	-	-	3,558,729	-
(1,064)	-	-	(3,435,851)	-
475	374	2,057	10,913	(42)
96,720	1,237	8,093	210,793	27
34,716	5,485	61,680	(66,335)	(4,918)
9,465	36,963	187,281	1,588,498	23,831
(100)	-	(621)	7,182	-
$ 44,081	$ 42,448	$ 248,340	$ 1,529,345	$ 18,913
$ 23,836	$ 113,812	$ 4,284	$ (974,527)	$ 4,835
129	621	8,356	256,455	15,093
(12,076)	-	(3,795)	(15,871)	-
-	25	27,855	658,739	141
-	-	743	1,487	-
(26)	34	7	12,000	(2)
23,732	-	(773)	(35,866)	195
1,592,703	745	10,593	1,540,526	(346)
-	238	(1,120)	(205)	(258)
605	86	247	4,178	(325)
71,716	(932)	(7,957)	296,761	(4,714)
(4,430)	2,659	(4,089)	(82,996)	(421)
$ 1,696,189	$ 117,288	$ 34,351	$ 1,660,681	$ 14,198
-	-	771	771	1,768
-	-	2,672	10,853	-
5,762	-	-	73,464	-
79,575	40	743	82,608	14
-	-	-	-	32,392
-	-	-	1,628	-
-	-	-	1,717	16,821
-	-	-	5,140	-
3,102	-	-	3,102	-
-	-	-	7,778	-

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST	AGENCY
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 32,347	$ 100,236	$ 839,544
Taxes Receivable, net	-	-	139,906
Other Receivables, net	5,076	11,739	514
Due From Other Governments	36	-	-
Due From Other Funds	19,873	5,586	15,039
Inventories	-	-	3
Prepaids, Advances, and Deferred Charges	7	-	-
Noncurrent Assets:			
Investments:			
Government Securities	-	11,284	-
Mutual Funds	-	3,262,465	-
Other Investments	-	36,856	-
Other Long-Term Assets	-	-	19,384
TOTAL ASSETS	57,339	3,428,166	$ 1,014,390
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	-	-	5,874
Accounts Payable and Accrued Liabilities	14,130	10,616	2,040
Due To Other Governments	-	-	222,167
Due To Other Funds	-	-	47
Deferred Revenue	-	6,856	-
Claims and Judgments Payable	17,873	-	622
Other Current Liabilities	-	-	724,508
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	4,210	51,286
Accrued Compensated Absences	41	-	-
Other Long-Term Liabilities	-	-	7,846
TOTAL LIABILITIES	32,044	21,682	$ 1,014,390
NET ASSETS:			
Held in Trust for:			
Pension/Benefit Plan Participants	24,884	-	
Individuals, Organizations, and Other Entities	-	3,406,484	
Unrestricted	411	-	
TOTAL NET ASSETS	$ 25,295	$ 3,406,484	

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, 2010

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST
ADDITIONS:		
Additions By Participants	$ -	$ 674,862
Member Contributions	67,925	-
Employer Contributions	195,905	-
Investment Income/(Loss)	1,308	380,834
Employee Deferral Fees	1,361	-
Unclaimed Property Receipts	-	53,700
Other Additions	15,068	2,804
Transfers-In	1,406	-
TOTAL ADDITIONS	282,973	1,112,200
DEDUCTIONS:		
Distributions to Participants	-	186,044
Health Insurance Premiums Paid	115,044	-
Health Insurance Claims Paid	124,954	-
Other Benefits Plan Expense	19,784	-
Payments in Accordance with Trust Agreements	-	390,871
Administrative Expense	98	-
Other Deductions	20,726	-
Transfers-Out	300	106
TOTAL DEDUCTIONS	280,906	577,021
CHANGE IN NET ASSETS	2,067	535,179
NET ASSETS AVAILABLE:		
FISCAL YEAR BEGINNING	394,682	2,810,068
Prior Period Adjustments (Note 29)	(371,454)	61,237
FISCAL YEAR ENDING	$ 25,295	$ 3,406,484

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

STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2010

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO HOSPITAL AUTHORITY	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 22,125	$ 114,874	$ 27,169
Investments	-	-	-
Taxes Receivable, net	-	-	-
Contributions Receivable, net	-	-	21,604
Other Receivables, net	89,304	78,842	213
Due From Other Governments	-	1,456	-
Inventories	15,414	-	-
Prepaids, Advances, and Deferred Charges	9,688	-	2,017
Total Current Assets	136,531	195,172	51,003
Noncurrent Assets:			
Restricted Cash and Pooled Cash	-	114,023	-
Restricted Investments	20,300	234,014	-
Restricted Receivables	15,053	4,160	-
Investments	510,937	-	985,509
Contributions Receivable, net	-	-	24,976
Net Pension Asset	6,922	-	-
Other Long-Term Assets	10,912	1,133,353	-
Depreciable Capital Assets and Infrastructure, net	553,054	10	3,124
Land and Nondepreciable Infrastructure	13,154	-	-
Total Noncurrent Assets	1,130,332	1,485,560	1,013,609
TOTAL ASSETS	1,266,863	1,680,732	1,064,612
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	57,595	17,128	5,550
Due To Other Governments	-	1,395	-
Deferred Revenue	-	651	469
Compensated Absences Payable	16,406	-	-
Claims and Judgments Payable	-	-	-
Leases Payable	-	-	598
Notes, Bonds, and COP's Payable	13,591	54,780	-
Other Current Liabilities	15,252	111,292	10,177
Total Current Liabilities	102,844	185,246	16,794
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	-	201,109
Capital Lease Payable	-	-	2,746
Notes, Bonds, and COP's Payable	513,541	974,592	-
Other Long-Term Liabilities	27,591	13,202	17,594
Total Noncurrent Liabilities	541,132	987,794	221,449
TOTAL LIABILITIES	643,976	1,173,040	238,243
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	68,171	10	(220)
Restricted for:			
Emergencies	-	-	-
Permanent Funds and Endowments:			
Expendable	-	-	467,479
Nonexpendable	-	-	302,991
Court Awards and Other Purposes	16,004	443,256	-
Unrestricted	538,712	64,426	56,119
TOTAL NET ASSETS	$ 622,887	$ 507,692	$ 826,369

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
$ 1,231	$ 10,666	$ 1,572	$ 18,493	$ 196,130
-	-	-	58,291	58,291
-	-	-	2	2
3,013	6,926	690	4,243	36,476
-	2,820	367	1,331	172,877
-	-	-	-	1,456
-	-	-	-	15,414
203	-	-	36	11,944
4,447	20,412	2,629	82,396	492,590
-	952	-	-	114,975
-	-	-	-	254,314
-	-	-	-	19,213
232,992	181,962	83,599	19,095	2,014,094
16,614	9,953	852	-	52,395
-	-	-	-	6,922
485	287	109	17,008	1,162,154
272	299	1,023	126,383	684,165
-	-	-	20,256	33,410
250,363	193,453	85,583	182,742	4,341,642
254,810	213,865	88,212	265,138	4,834,232
1,040	1,284	1,424	1,191	85,212
-	-	-	-	1,395
-	-	-	8,157	9,277
-	-	-	-	16,406
-	-	-	14,171	14,171
-	-	-	-	598
-	-	-	227	68,598
-	-	-	10	136,731
1,040	1,284	1,424	23,756	332,388
10,692	12,952	696	-	225,449
-	-	-	-	2,746
-	-	-	968	1,489,101
872	10,455	224	16,600	86,538
11,564	23,407	920	17,568	1,803,834
12,604	24,691	2,344	41,324	2,136,222
272	299	1,023	145,434	214,989
-	-	-	21	21
106,926	50,221	18,460	-	643,086
121,063	120,869	56,199	-	601,122
-	-	-	53,034	512,294
13,945	17,785	10,186	25,325	726,498
$ 242,206	$ 189,174	$ 85,868	$ 223,814	$ 2,698,010

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2010

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO HOSPITAL AUTHORITY	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
OPERATING REVENUES:			
Fees	$ -	$ 47,471	$ 5,100
Sales of Goods and Services	771,489	-	-
Investment Income (Loss)	-	15,153	-
Rental Income	-	-	-
Gifts and Donations	-	-	91,229
Federal Grants and Contracts	-	6,764	-
Other	24,488	17	771
TOTAL OPERATING REVENUES	795,977	69,405	97,100
OPERATING EXPENSES:			
Salaries and Fringe Benefits	304,757	1,302	-
Operating and Travel	163,208	42,639	20,795
Cost of Goods Sold	159,956	-	-
Depreciation and Amortization	36,342	5	-
Debt Service	-	50,985	-
Foundation Program Distributions	-	-	70,682
TOTAL OPERATING EXPENSES	664,263	94,931	91,477
OPERATING INCOME (LOSS)	131,714	(25,526)	5,623
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income (Loss)	39,434	-	80,157
Gifts and Donations	-	-	-
Gain/(Loss) on Sale or Impairment of Capital Assets	235	-	-
Debt Service	(23,606)	-	-
Other Expenses	(1,024)	-	-
Other Revenues	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	15,039	-	80,157
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	146,753	(25,526)	85,780
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	4,902	31,203	-
TOTAL CONTRIBUTIONS AND TRANSFERS	4,902	31,203	-
CHANGE IN NET ASSETS	151,655	5,677	85,780
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	471,232	502,015	740,589
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 622,887	$ 507,692	$ 826,369

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
$ -	$ -	$ -	$ 66,140	$ 118,711
-	-	-	-	771,489
-	-	-	(142)	15,011
-	-	-	717	717
27,307	13,196	4,145	-	135,877
-	-	-	2,204	8,968
4	253	1,510	2,529	29,572
27,311	13,449	5,655	71,448	1,080,345
-	-	-	-	306,059
1,963	2,626	3,095	90,061	324,387
-	-	-	-	159,956
-	-	-	4,103	40,450
-	-	-	-	50,985
31,904	10,991	6,893	-	120,470
33,867	13,617	9,988	94,164	1,002,307
(6,556)	(168)	(4,333)	(22,716)	78,038
25,843	19,739	8,732	832	174,737
-	-	-	9,339	9,339
-	-	-	-	235
-	-	-	-	(23,606)
-	-	-	(12)	(1,036)
-	-	-	24,698	24,698
25,843	19,739	8,732	34,857	184,367
19,287	19,571	4,399	12,141	262,405
-	-	-	-	36,105
-	-	-	-	36,105
19,287	19,571	4,399	12,141	298,510
222,919	169,603	81,469	211,673	2,399,500
$ 242,206	$ 189,174	$ 85,868	$ 223,814	$ 2,698,010

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - COMPONENT UNITS RECAST TO THE STATEMENT OF ACTIVITIES FORMAT FOR THE YEAR ENDED JUNE 30, 2010

(DOLLARS IN THOUSANDS)	*Statement of Revenues, Expenses, and Changes in Net Assets* Totals	*Statement of Activities* Treatment	*Statement of Activities* Amounts
OPERATING REVENUES:			
Fees	$ 118,711	Charges for Services	$ 118,712
Sales of Goods and Services	771,489	Charges for Services	771,489
Investment Income (Loss)	15,011	Unrestricted Investment Earnings	15,011
Rental Income	717	Charges for Services	717
Gifts and Donations	135,877	Operating Grants & Contributions	135,877
Federal Grants and Contracts	8,968	Operating Grants & Contributions	8,968
Other	29,572	Charges for Services	24,505
		Operating Grants & Contributions	2,537
		Payment from State	2,530
TOTAL OPERATING REVENUES	1,080,345		
OPERATING EXPENSES:			
Salaries and Fringe Benefits	306,059	Expenses	306,059
Operating and Travel	324,387	Expenses	324,387
Cost of Goods Sold	159,956	Expenses	159,956
Depreciation and Amortization	40,450	Expenses	40,450
Debt Service	50,985	Expenses	50,985
Foundation Program Distributions	120,470	Expenses	120,470
TOTAL OPERATING EXPENSES	1,002,307		
OPERATING INCOME (LOSS)	78,038		
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income (Loss)	174,737	Unrestricted Investment Earnings	102,055
		Operating Grants & Contributions	72,682
Gifts and Donations	9,339	Payment from State	9,339
Gain/(Loss) on Sale or Impairment of Capital Assets	235	Operating Grants & Contributions	235
Debt Service	(23,606)	Expenses	(23,606)
Other Expenses	(1,036)	Expenses	(1,036)
Other Revenues	24,698	Payment from State	24,255
		Capital Grants & Contributions	442
TOTAL NONOPERATING REVENUES (EXPENSES)	184,367		
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	262,405		
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	36,105	Operating Grants & Contributions	33,462
		Capital Grants & Contributions	2,643
TOTAL CONTRIBUTIONS AND TRANSFERS	36,105		
CHANGE IN NET ASSETS	298,510		298,510
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	2,399,500		2,399,500
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 2,698,010		$ 2,698,010

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 2009-10, the State implemented GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets and GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments.

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

NOTE 1 – GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

NOTE 2 – REPORTING ENTITY

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

Financial accountability is defined in GASB Statement No. 14 – The Financial Reporting Entity. The State is financially accountable for those entities for which the State appoints a voting majority of the governing board and either is able to impose its will upon the entity or there exists a financial benefit or burden relationship with the State.

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

The following entities qualify as discretely presented component units:

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

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

The University of Colorado Hospital Authority, CoverColorado, the Higher Education Competitive Research Authority, and the Renewable Energy Authority 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 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 government information, and therefore, it would be misleading to exclude it.

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

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

University of Colorado Hospital Authority
Chief Financial Officer
Mail Stop F-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 Alumni Center
Campus Box 20
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 17th 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

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

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

Even though the appointment of governing boards of these authorities is similar to those included in the reporting entity, the State cannot impose its will upon these entities, it does not have a financial benefit or burden relationship with them, or the expenditures of these entities are immaterial to the primary government's financial statements. 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. This differs from the concept of reservations of fund balance used in the governmental fund statements to show availability of assets for appropriation. When an external party or the State Constitution places a restriction on the use of certain assets, those assets, net of related liabilities, are reported in the 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 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 Enterprise 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. There were no significant receivable and payable balances between the primary government and those component units with the same fiscal year-end reporting dates. The four foundations reported as component units have the same fiscal year-end as the State. Amounts shown as due from or due to the component units are primarily receivable from or payable to these foundations.

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

NOTE 4 – BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

Primary Government

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

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

The State's major funds report the following activities:

GOVERNMENTAL FUND TYPE:

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

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

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

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.

CollegeInvest
CollegeInvest issues revenue bonds to originate and purchase student loans in addition to operating a limited prepaid tuition program. CollegeInvest also operates an IRS Section 529 tax-advantaged College Savings Plan that is presented as a Private Purpose Trust Fund. Legislation passed during the 2010 legislative session and implemented during Fiscal Year 2009-10 discontinued CollegeInvest's student loan program (see Note 29). Although the fund does not meet the major fund threshold, it is being presented as a major fund in the year of the transition because the liquidation of the activity was significant.

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 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.

GOVERNMENTAL FUND TYPE (NONMAJOR):

Special Revenue Funds
Transactions related to resources obtained from specific sources, and dedicated to specific purposes are accounted for in the Special Revenue Funds. The individual nonmajor funds include Water Projects, Labor, Gaming, Tobacco

Impact Mitigation, Resource Extraction, Resource Management, Environment and Health Protection, Public School Buildings, Unclaimed Property, and Other Special Revenue Funds.

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

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

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 Wildlife, College Assist, State Fair Authority, Correctional Industries, State Nursing Homes, Prison Canteens, Petroleum Storage Tank, and several smaller funds aggregated as Other Enterprise Funds.

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

FIDUCIARY FUND TYPE:

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

Pension and Benefit Trust Funds
In the basic financial statements, the State reports in a single column the activities related to resources being held in trust for members and beneficiaries of the Group Benefits Plan. Individual financial statements of this plan are presented in Note 20. Legislation passed during the 2009 legislative session transferred management of the Defined Contribution Plan and Deferred Compensation Plan from the State to the Public Employees Retirement Association (PERA). Both plans are presented in Note 20 to show the transfer of the plans and residual administrative activity. Participation in the plans was not changed in the transfer and most State employees continue to be covered by the defined benefit plan operated by the PERA (see Note 18).

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.

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

PRESENTATION OF INTERNAL BALANCES

Intrafund transactions are those transactions that occur completely within a column in the financial statements, while interfund transactions involve more than one column. This definition applies at the level of combining financial statements in the supplementary information section of the Comprehensive Annual Financial Report. Substantially all intrafund transactions and balances of the primary government have been eliminated from the fund-level financial statements. Interfund sales and federal grant 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, 2010.

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, 2009.

Four of the six 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, 2009, with the exception of the Higher Education Competitive Research Authority and the Statewide Internet Portal Authority which are presented as of June 30, 2010.

The four foundations presented as component units all follow Financial Accounting Standards Board statements applicable to not-for-profit entities. The foundation's audited not-for-profit financial statements have been recast into the governmental format as allowed by GASB Statement No. 39. Financial information for the four foundation component units is presented as of June 30, 2010.

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 may be recognized if received before eligibility requirements are met.

FUND-LEVEL FINANCIAL STATEMENTS

Governmental Funds

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

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

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

Expenditures are recognized in governmental funds when:

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

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

Proprietary and Fiduciary Funds

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

Component Units

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

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

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

A. CASH AND POOLED CASH

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

B. RECEIVABLES

Component Units

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

C. INVENTORY

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

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

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

D. INVESTMENTS

Primary Government

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

Component Units

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

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

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

E. CAPITAL ASSETS

Primary Government

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

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

(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
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	5	127
Leasehold Improvements	2	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 infrastructure over 40 years.

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

Component Units

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

F. DEFERRED REVENUE

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

G. ACCRUED COMPENSATED ABSENCES LIABILITY

Primary Government

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

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

In accordance with GASB Interpretation No. 6, compensated absence liabilities related to the governmental funds are recognized as liabilities of the fund only to the extent that they are due and payable at June 30. For all other fund types, both current and long-term portions are recorded as individual fund liabilities. On the government-wide *Statement of Net 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 has an agreement with Pinnacol Assurance, a related organization, to act as the third party administrator for the State's self-insured workers' compensation claims. The State reimburses Pinnacol for the current cost of claims paid and related administrative expenses. Actuarially determined liabilities are accrued for claims to be paid in future years.

The State insures its property through private carriers and is self-insured against general liability risks for both its officials and employees (see Note 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 financial statements:

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

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

Restricted for State Education – The entire net assets balance of the State Education Fund, a major governmental fund, is restricted 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.

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, in Fiscal Year 2009-10, the net asset balance is in 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 deficit of approximately $115.8 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 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 (see Note 8B).

Restricted Permanent Funds and Endowments – This item is segregated into two components. The restricted balances reported as nonexpendable are related to the principal portion of governmental Permanent Funds, such as the State Lands Fund, 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 Court Awards and Other Purposes – The State operates certain funds that were established at the direction of federal courts, state courts, or other external parties. The net assets of these funds are limited as to use by the court or the external party. Included in this restriction is the remaining $13.5 million balance of the following. The State received $73.1 million and $73.2 million in Fiscal Years 2003-04 and 2002-03, respectively, from the federal government as a result of the Jobs and Growth Tax Relief Reconciliation Act of 2003. The Act restricts the use of the funds to "the types of expenditures permitted under the most recently approved budget for the State." The Colorado Supreme Court opined that legislation could exclude these funds from the definition of custodial moneys that would qualify them as restricted. However, the related legislation only applied this authority to these types of funds prospectively. Therefore, the unexpended net assets of these funds are reported as restricted and their use is directed by the Governor.

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

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

The fund balance of the General Fund is reserved as provided by statute and as provided by generally accepted accounting principles.

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

In the Special Revenue Funds and Capital Projects Fund this reserve represents purchase orders, contracts, and long-term contracts that do not lapse at year-end and are related to construction of major capital projects and infrastructure. State agencies are required to record encumbrances for construction projects, and therefore, this reserve in the Special Revenue and Capital Projects fund represents the major construction commitments of the State.

Since the resources of these funds are often received after the long-term contracts are executed and recorded as encumbrances, the unreserved undesignated amount may reflect a deficit. When a deficit occurs it is funded by future proceeds of the fund.

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

Reserving the full amount of noncurrent assets in the Water Projects Fund, a nonmajor Special Revenue Fund, would have resulted in a deficit unreserved undesignated fund balance. Since the resources of the fund are not sufficient to support the entire reserve amount, fund balance is only reserved up to the amount available for Fiscal Year 2009-10.

Reserved for Debt Service – The fund balance of the Debt Service Fund, a nonmajor governmental fund, is not available for appropriation because it is restricted to use only for upcoming principal and interest payments. The fund balance of the governmental activities is held by the Department of Personnel & Administration and the Department of Treasury on behalf of the Build Excellent Schools Today (BEST) program.

Reserved for Statutory Purposes – The statutory reserve in the Capital Projects Fund is the fund balance of the Corrections Expansion Reserve and the balance of certain other projects that are allowed to maintain a fund balance in the Capital Projects Fund. These projects are not required to revert excess cash revenue to the Capital Projects Fund.

In the General Fund this reserve normally represents the requirement in Colorado Revised Statutes 24-75-201.1(d) to reserve four percent of General Fund appropriations. Historically the legislature has adjusted the four percent reserve when revenues are inadequate to fund appropriations. During Fiscal Year 2008-09, the General Assembly passed legislation applicable to the fiscal years ending June 30, 2009 and June 30, 2010, reducing the required reserve to two percent of General Fund appropriations for both GAAP and budget basis purposes as part of its plan to address a revenue shortfall.

A Reserve for Statutory Purposes is only presented when the unreserved undesignated fund balance is greater than zero. In Fiscal Year 2009-10, on a GAAP basis, the resources available in the General Fund (exclusive of other reserves) were not sufficient to support all appropriated expenditures or to fund any portion of the required two percent statutory reserve. In addition, expenditures exceeded the available resources of the fund causing a $30.8 million deficit unreserved undesignated fund balance 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 two percent reserve requirement on the budget basis by deferring Medicaid, payroll, and certain other expenditures to the following fiscal year.

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

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

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

Unreserved - Designated for Unrealized Investment Gains
In all fund types, this designation represents the amount by which the fair value of investments exceeds amortized cost. It is not equivalent to the net change in fair value of investments because the net change in fair value is adjusted for the amount by which the fair value was more or less than amortized costs in prior years. This reserve is only shown when a governmental fund category has net unrealized gains.

NOTE 7 – ACCOUNTING POLICIES AFFECTING REVENUES, EXPENDITURES/EXPENSES

A. PROGRAM REVENUES

The government-wide *Statement of Activities* presents two broad types of revenues – program revenues and general revenues. All taxes, with the exception of unemployment insurance 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, part of the nonmajor Tobacco Impact Mitigation Fund, are also reported as general revenues. Except for transfers, permanent fund additions, and special items, all other revenues are reported as program revenues. In general, program revenues include:

- Fees for services, tuition, licenses, certifications, and inspections,
- Fines and forfeitures,
- Sales of products,
- Rents and royalties,
- Donations and contributions, 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 2009-10.

The Plan uses cost from Fiscal Year 2007-08 that will be incorporated in State agency indirect cost rates and plans to be charged to federal grants in Fiscal Year 2011-12. 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 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 $1.3 million of central service agency costs for Fiscal Year 2009-10 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 the General Fund where the unexpended portion is included in the Reserve for Encumbrances, and based on a three-year appropriation, the moneys not expended in Fiscal Year 2009-10 will be provided to central service agencies in Fiscal Years 2010-11 and 2011-12.

C. OPERATING REVENUES AND EXPENSES

Primary Government

The State reports four 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 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. 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 151. 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 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 $1.0 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 he allows an overexpenditure. 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, 2010, were $128,450,778 as described in the following paragraphs.

Approved Medicaid Overexpenditures:

- <u>Medicare Modernization Act of 2003 State Contribution</u> – The Department of Health Care Policy and Financing overexpended this line item by $100,922 of general funds. This program is an entitlement program driven by the eligible population and the department reported unexpectedly large increases over budgeted caseload for the year.
- <u>Medicaid Mental Health Capitation Payments</u> – The Department of Health Care Policy and Financing overexpended this line item by $738,969 of general funds. This program is an entitlement program driven by the eligible population and the department reported that the overexpenditure occurred due to a forecasting error in the general fund caseload for the year.
- <u>Colorado Autism Treatment Fund</u> – The Department of Health Care Policy and Financing overexpended this line item by $10,994 of cash funds. This program provides case management and behavioral therapy services to a limited number of children living with autism, and the program incurred unexpectedly large increases over budgeted caseload and costs for the year.
- <u>Breast and Cervical Cancer Prevention & Treatment Fund</u> – The Department of Health Care Policy and Financing overexpended this line item by $18,341 of cash funds. The overexpenditure occurred due to differences between the cost of actual services provided and the forecasted caseload and per capita costs.

Approved Statewide Overexpenditures Subject to the $1.0 Million Limit:

- <u>Department of Higher Education (State Historical Society) – Cumbres & Toltec Railroad Commission</u> – The Department of Higher Education overexpended this line item by $22,500 of general funds. The overexpenditure occurred because expenditures were incurred before the Office of the State Controller and the State Historical Society determined the appropriation was reduced .
- <u>Department of Education – Start Smart Nutrition Program</u> – The Department of Education overexpended this line item by $26,019 of cash funds. The overexpenditure occurred because the department's child nutrition unit mistakenly believed the appropriation for reimbursements to school food authorities was $30,000 higher than the program's actual spending authorization.

- Department of Health Care Policy and Financing – CBMS SAS-70 Audit – The Department of Health Care Policy and Financing overexpended this line item by $1,410 of general funds. The overexpenditure was the result of a current year restriction based on a Fiscal Year 2008-09 overexpenditure which occurred because the random moment sampling percentages used as a basis of cost allocation were higher than expected.

Unapproved Statewide Overexpenditures Subject to the $1.0 Million Limit:

- Department of Education – Workers' Compensation – The Department of Education overexpended this line by $21,144 of reappropriated funds and $586 of cash funds. The overexpenditures occurred because the department did not review its billings for Workers' Compensation expenditures until late in the prior fiscal year when it was too late to change the Fiscal Year 2009-10 funding mix of this line item in the normal budget process.
- Department of Health Care Policy and Financing – Pediatric Specialty Hospital – The Department of Health Care Policy and Financing overexpended this line by $66,122 of general funds. The overexpenditure occurred because the budgeted amount for the Pediatric Specialty Hospital Cash Fund was not reduced to reflect a cap put in place by the General Assembly during the Fiscal Year 2008-09 session.

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

- Department of Education – State Charter School Institute Administration – The Charter School Institute (CSI) overexpended the Charter School Institute Fund by $190,088. The overexpenditure occurred because the actual student count in October 2009 reduced CSI's revenues relative to their appropriated expenditures, which were based on a June 2009 student count. In addition, CSI did not modify its spending authority or spending pattern to match its changing revenue stream.
- Department of Human Services – Colorado Commission for the Deaf and Hard of Hearing (CDHH) – The Department of Human Services overexpended the Colorado Commission for the Deaf and Hard of Hearing Cash Fund by $4,228 when it was unable to bill the Telephone Users Cash Fund in the Department of Regulatory Agencies for costs it incurred. The billing was not honored because it would have caused a deficit balance in the Telephone Users Cash Fund.
- Department of Public Health and Environment – Local Public Health Plan and Support Distribution Hearing – The Department of Public Health and Environment overexpended the Public Health Services Support Fund by $102,629. The overexpenditure occurred because the division which manages the distribution of funds to local health departments was not aware that Tobacco Master Settlement Agreement revenues were less than the original estimates and spending authority, and therefore, the contracts with the local health departments were not reduced to reflect available revenue.
- Department of Higher Education – CollegeInvest – Colorado Student Obligation Bond Authority Prepaid Expense Trust – CollegeInvest overexpended the Colorado Prepaid Postsecondary Education Expense Trust Fund by $246,900. The overexpenditure occurred because of unrealized losses due to changes in market conditions in CollegeInvest's 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 Benefit Payments – The Department of Labor and Employment overexpended the Unemployment Compensation Fund by $123,909,012. The overexpenditure occurred because national and state economic recessions and high unemployment rates have led to unemployment insurance benefits that exceeded unemployment insurance premiums, requiring the State to borrow from the United States Treasury in order to pay regular unemployment insurance benefits.
- Department of Health Care Policy and Financing– Children's Basic Health Plan Trust – On the basis of generally accepted accounting principles (GAAP) the Department of Health Care Policy and Financing overexpended the Children's Basic Health Plan Trust by $2,758,797 when it deferred (for budget purposes only) $9,590,805 of Fiscal Year 2009-10 expenditures and $6,234,023 of related federal revenue into Fiscal Year 2010-11. The deferral of expenditure and revenue for budget purposes only is authorized in CRS 25.5-8-108(5). Because the deferral is in compliance with Colorado statute, no restriction of Fiscal Year 2010-11 spending authority was required.

The following overexpenditures occurred in the Department of Regulatory Agencies.

- Division of Real Estate – Conservation Easement Holder Certification Cash Fund – The department's Real Estate Division overexpended the Conservation Easement Holder Certification Fund by $63,122. The overexpenditure occurred because Division management did not prevent program costs from exceeding the fee revenues available from program registrants.
- Division of Real Estate – Mortgage Loan Originator Licensing Cash Fund – The department's Real Estate Division overexpended the Mortgage Loan Originator Licensing Cash Fund by $168,995. The overexpenditure occurred because Division management did not prevent program costs from exceeding the fee revenues available from program registrants.

The General Fund Surplus Schedule (page 159) shows a negative reversion of $6.5 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 $8.6 million of excess expenditures of the Old Age Pension program, which is continuously appropriated in statute but for which an estimate is shown in the appropriations act. The Department does not record the additional continuously appropriated spending authority for the excess expenditure so that the General Fund Surplus Schedule and the General Fund Reversion Report will show that the appropriations act estimate was less than the actual expenditures. The Schedule also shows a $0.23 million negative reversion for the Department of Higher Education. 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 authorizes the State to retain revenues in excess of the limit for the five Fiscal Years 2005-06 through 2009-10. As a result, no TABOR refund would have been required for Fiscal Year 2009-10 if TABOR nonexempt revenues exceeded the TABOR limit. However, economic conditions resulted in a decline in the State's revenues and the TABOR nonexempt revenues were ($615.5) million below the spending limit. 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 2009-10 that amount was $257,038,227.

At June 30, 2010, the financial net assets of the following funds were applied to the reserve, up to the limits set in the Long Appropriations Act:

- Major Medical Fund, part of the Labor Fund – a nonmajor Special Revenue Fund – $94,000,000.
- 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 $16,282,458, and that amount is shown as restricted for emergencies on the *Combining Statement of Net Assets*. The remaining $83,717,542 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 $56,729,414 of cash and receivables that are reported as restricted.

The 2009 legislative session Long Appropriations Act designated up to $81,100,000 of State properties as the remainder of the emergency reserve.

The estimate of the needed reserve was based on the December 2009 revenue estimate prepared by Legislative Council. Because the revenues subject to the TABOR reserve requirement were significantly less than estimated, the amount designated for the reserve was $18,061,773 more than required by the State Constitution.

In the event that an emergency exceeds 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.

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 Fund unless a specific statute directs otherwise. Most funds are required to invest in noninterest bearing warrants of the General Fund if the General Fund overdraws its rights in the pool. This means that under certain conditions participating funds would not receive the interest earnings to which they would otherwise be entitled. The detailed composition of the Treasury pooled cash and investment is shown in the annual Treasurer's Report. Where a major fund or fund category has a cash deficit, that deficit has been reclassified to an interfund payable to the General Fund – the payer of last resort for the pool.

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

Colorado statutes require protection of public moneys in banks beyond that provided by the federal insurance corporations. The Public Deposit Protection Act in Colorado Revised Statutes 11-10.5-107(5) requires all eligible depositories holding public deposits, including those of the State's component units, to pledge designated eligible collateral having market value equal to at least 102 percent of the deposits exceeding 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, the Cash and Pooled Cash line on the financial statements includes $5,977.9 million ($5,982.5 at amortized cost) of claims of the State's funds on moneys in the Treasurer's pooled cash.

At June 30, 2010, the Treasurer had invested $5,886.9 million (fair value) of the pool and held $95.6 million of demand deposits and certificates of deposit.

At June 30, 2010, the State had an accounting system cash deposit balance of $358.3 million, which includes the $95.6 million held as demand deposits and certificates of deposit in the Treasurer's pool.

Under the GASB Statement No. 40 definitions, $63.6 million of the State's total bank balance of $344.8 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 $22.1 million at June 30, 2010, and a related bank balance of $31.8 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 $445,763 at December 31, 2009, of which $250,000 was federally insured and $141,823 was collateralized with the securities held by the pledging institution in a collateral pool, but not in the authority's name. An additional $53,940 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 $67.8 million held by the State Treasurer in a Treasurer's Agency Fund and $160.7 million held in the COLOTRUST, a local government investment pool that qualifies as a 2a7-like investment pool where each share is maintained at $1.00. These amounts are not evidenced by securities, and therefore, they are not subject to custodial risk classification. 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, 2009 the Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, had cash deposits of $2.0 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 $6.0 million at December 31, 2009 – of that amount $5.7 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 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.
- Gain/(Loss) on Disposal of Capital and Other Assets – When the cash received at disposal of a capital or other asset is greater or less than the carrying value of the asset, a gain or loss is recorded. This gain or loss results in an increase or reduction of the amount reported for capital or other assets on the *Statement of Net Assets*, but since no cash is exchanged for the gain or 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.
- Gain on Debt Defeasance – When the repurchase price (that is payment to the escrow agent) is less than the carrying value of defeased debt, a gain on defeasance is recorded, and no cash is exchanged for this portion of the transaction.
- 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.

NOTE 11 – RECEIVABLES

Primary Government

The Taxes Receivable of $947.3 million shown on the government-wide *Statement of Net Assets* primarily comprises:

- $805.8 million, mainly of self-assessed income and sales tax recorded in the General Fund. Included in this amount is $194.0 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*,
- $51.4 million recorded in nonmajor Special Revenue Funds, of which, approximately $11.0 million is from gaming tax, $18.1 million is severance tax, and $20.2 million is insurance premium tax, and
- $90.0 million of unemployment insurance premiums recorded in the Unemployment Insurance Fund.

In addition, $53.3 million of Taxes Receivable, $40.2 million of Other Receivables, and $88.3 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.

Taxes Receivable of $12.9 million in the Tobacco Tax Fund, a portion of the nonmajor Tobacco Impact Mitigation Fund, are reported as restricted because they are authorized and their use is limited by the State Constitution.

The Other Receivables of $440.1 million shown on the government-wide *Statement of Net Assets* are net of $161.5 million in allowance for doubtful accounts and primarily comprise the following:

- $239.3 million of student and other receivables of Higher Education Institutions.
- $45.1 million of receivables recorded in the General Fund, of which $24.2 million is from interest receivable on investments. The Department of Health Care Policy and Financing recorded receivables of $11.8 million related primarily to rebates from drug companies and overpayments to healthcare providers. The Colorado Mental Health Institutes recorded $2.6 million of patient receivables.
- $100.2 million of receivables recorded by Other Governmental Funds including $46.2 million of tobacco settlement revenues expected within the following year, $15.0 million recorded by the Water Projects Fund, $7.1 million receivable from the Great Outdoors Colorado program by the Resource Management Fund, and $12.8 million of rent and royalty receivables recorded by the State Lands Funds.

In addition, $201.4 million of student loan receivables of CollegeInvest are reported as restricted receivables that would otherwise be reported primarily as Other Long-Term Assets. These receivables are restricted for sale to the federal government under a loan participation program to satisfy an advance of cash. There are also $40.2 million of other receivables reported as restricted by the Department of Transportation.

Component Units

The University of Colorado Hospital Authority's primary revenue source is patient service revenue of $771.5 million, which it recorded net of third-party contractual allowances ($1,602.0 million), indigent and charity care ($201.7 million), provision for bad debt ($49.0 million), and self-pay discounts ($47.0 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 $34.2 million for Fiscal Year 2009-10. 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 $11.3 million out of $302.9 million collected by the State in hospital provider fees for Fiscal Year 2009-10.

The University of Colorado Hospital Authority has a significant concentration of patient accounts receivable with Medicare (27 percent), Medicaid (11 percent), managed care (41 percent), other commercial insurance (2 percent), and self-pay and medically indigent (14 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 2009-10 was approximately $242.6 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, 2010, the hospital reported $5.3 million in restricted receivables related to contributions.

The Colorado Water Resources and Power Development Authority had loans receivable of $1.2 billion at December 31, 2009. During 2009, the authority made new loans of $108.9 million and canceled or received repayments for existing loans of $96.7 million.

The University of Colorado Foundation contributions receivable of $21.6 million and $25.0 million are reported as Contributions Receivable current and noncurrent, respectively, in the *Statement of Net Assets – Component Units*. At June 30, 2010, the amount reported as contributions receivable includes $55.3 million of unconditional promises to give which were offset by a $7.3 million allowance for uncollectible contributions and a $1.4 million unamortized pledge discount using discount rates ranging from .18 percent to 6.31 percent.

At June 30, 2010, the Contributions Receivables amount shown for the Colorado State University Foundation included contributions of $23.7 million, which were offset by $3.8 million of unamortized pledge discounts calculated using the five-year U.S. Treasury note rate and $0.3 million of allowance for uncollectible pledges. At June 30, 2010, contributions from one donor represented approximately 46 percent of total contributions receivable for the foundation.

At June 30, 2010, the combined current and noncurrent Contributions Receivable amount shown for the Colorado School of Mines Foundation of $16.9 million was offset by $0.8 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 50 percent of the foundation's contributions receivable at June 30, 2010, consists of pledges from one donor in 2010, and approximately $3.2 million is due from irrevocable remainder trusts.

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 $20.8 million of accounts receivable from insurance companies that are reported as Contributions Receivable ($4.2 million) and Other Long-Term Assets ($16.6 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 $59.2 million shown on the government-wide *Statement of Net Assets* at June 30, 2010, primarily comprise:

- $10.5 million of manufacturing inventories recorded by Correctional Industries, a nonmajor Enterprise Fund,
- $22.6 million of resale inventories, of which, Higher Education Institutions recorded $19.5 million, and
- $21.0 million of consumable supplies inventories, of which, $9.3 million was recorded by the Higher Education Institutions, $7.8 million was recorded by the Highway Users Tax Fund, $2.3 by the General Fund, and $1.0 million by Wildlife, a nonmajor Enterprise Fund.

NOTE 13 – PREPAIDS, ADVANCES, AND DEFERRED CHARGES

Prepaids, Advances, and Deferred Charges of $57.8 million shown on the government-wide *Statement of Net Assets* are primarily general prepaid expenses except for the following individually significant items:

- $13.8 million advanced to Colorado counties and special districts by the General Fund related to social assistance programs,
- $14.1 million advanced to conservation organizations by the Department of Natural Resources from the Species Conservation Fund, a nonmajor Other Special Revenue Fund,
- $3.6 million advanced to federal projects by the Division of Parks and Recreation from the Capital Projects Fund and the Resource Management Fund, a nonmajor Special Revenue Fund,
- $4.0 million of prize expense paid by the Colorado Lottery to a multistate organization related to participation in the Powerball lottery game, and
- $3.7 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 2009-10, the State Treasurer realized gains from the sale of investments held for the Public School Permanent Fund of $57,477. The State Treasurer realized losses from the sale of investments held for the Major Medical Fund of $225,032, and for the Treasurer's pooled cash of $4,846,770.

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2010 and 2009, the Treasurer had $41.0 million and $39.4 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 Other Special Revenue Fund, to the State Fair, a nonmajor Enterprise Fund, and to the Agriculture Management Fund, a nonmajor Other Special Revenue Fund.

As provided by State statute, the State Treasurer held $5.5 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.

Colorado State University, which is reported in the Higher Education Institutions Fund, held $904,714 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 $5,185,220 of net realized losses from the sale of investments held by State agencies other than the State Treasurer during Fiscal Year 2009-10.

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)	$ 358,347
Investments:	
Governmental Activities	7,119,114
Business-Type Activities	1,698,899
Fiduciary Activities	3,310,605
Total	$ 12,486,965
Financial Statement Amounts	
Net Cash and Pooled Cash	$ 4,111,242
Add: Warrants Payable Included in Cash	207,772
Total Cash and Pooled Cash	4,319,014
Add: Restricted Cash	1,926,089
Add: Restricted Investments	927,033
Add: Investments	5,314,829
Total	$ 12,486,965

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 Other Governmental funds primarily comprises the issuance trustees' deposit of proceeds from Certificates of Participation issued for local school district capital construction ($150.0 million – Build Excellent Schools Today program primarily reported in the Public School Buildings Fund, a nonmajor Special Revenue Fund), Ralph L. Carr Justice Complex ($207.4 million reported in the Capital Projects Fund), and the Colorado History Center ($54.8 million reported in the Capital Projects Fund). The trustees have selected the State Treasurer's pool as their primary investment vehicle. The Treasurer accounts for the trustees' deposits in Agency Funds, and the investment types and related risks are disclosed through the Treasurer's pool investments.

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

(Amounts in Thousands)

	Governmental Activities				
	Treasurer's Pool	General Fund	State Education	Other Governmental	Total
INVESTMENT TYPE					
U.S. Government Securities	$ 4,346,141	$ -	$ 21,223	$ 153,199	$ 4,520,563
Commercial Paper	214,980	-	-	-	214,980
Corporate Bonds	395,283	-	31,956	126,656	553,895
Asset Backed Securities	413,958	-	-	97,828	511,786
Mortgages Securities	326,591	5,477	-	342,962	675,030
Mutual Funds	190,000	-	-	37,663	227,663
Other	-	-	-	415,197	415,197
TOTAL INVESTMENTS	$ 5,886,953	$ 5,477	$ 53,179	$ 1,173,505	$ 7,119,114

The following table lists the investments of the major enterprise funds 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 ($41.1 million), Hedge Funds ($35.5 million), Absolute Return Funds ($19.7 million), and Real Estate ($11.9 million). The largest balance in the Higher Education Institutions *Other* category ($104.5 million) represents the issuance trustee's deposit of proceeds from Certificates of Participation (COPs) issued for Higher Education capital construction. 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 Fiduciary funds primarily consists of a funding agreement with MetLife ($36.9 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)

	Business-Type Activities			Fiduciary
	Higher Education Institutions	College Invest	Total	Fiduciary
INVESTMENT TYPE				
U.S. Government Securities	$ 280,259	$ 6,781	$ 287,040	$ 11,284
Commercial Paper	15,540	-	15,540	-
Corporate Bonds	206,765	20,001	226,766	-
Corporate Securities	102,263	-	102,263	-
Repurchase Agreements	15,458	-	15,458	-
Asset Backed Securities	39,218	-	39,218	-
Mortgages Securities	80,744	-	80,744	-
Mutual Funds	633,594	58,269	691,863	3,262,465
Other	240,007	-	240,007	36,856
TOTAL INVESTMENTS	$ 1,613,848	$ 85,051	$ 1,698,899	$ 3,310,605
INVESTMENTS SUBJECT TO CUSTODIAL RISK				
U.S. Government Securities	$ 244	$ -	$ 244	$ -
Corporate Bonds	1,817	-	1,817	-
Corporate Securities	16,153	-	16,153	-
Mortgages Securities	14	-	14	-
TOTAL SUBJECT TO CUSTODIAL RISK	$ 18,228	$ -	$ 18,228	$ -

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 $36.9 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 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
Treasurer's Pool:										
Long-term Ratings										
Gilt Edge	$ 1,953,264	$ -	$ 4,273	$ -	$ 740,549	$ 190,000	$ -	$ -	$ -	$ 2,888,086
High Grade	-	-	172,434	-	-	-	-	-	-	172,434
Upper Medium	-	-	159,251	-	-	-	-	-	-	159,251
Lower Medium	-	-	25,573	-	-	-	-	-	-	25,573
Speculative	-	-	14,534	-	-	-	-	-	-	14,534
Very Speculative	-	-	14,219	-	-	-	-	-	-	14,219
Short-term Ratings										
Highest	1,690,959	214,980	-	-	-	-	-	-	-	1,905,939
Unrated	-	-	5,000	-	-	-	-	-	-	5,000
Higher Education Institutions:										
Long-term Ratings										
Gilt Edge	$ 114,499	$ -	$ 16,365	$ 15,458	$ 55,892	$ 230,965	$ 398	$ -	$ 234	$ 433,811
High Grade	1,815	-	61,885	-	2,607	-	2,736	-	1,885	70,928
Upper Medium	-	13,496	85,332	-	4,202	-	133	-	1,664	104,827
Lower Medium	-	-	34,907	-	2,795	-	50	-	-	37,752
Speculative	-	-	3,550	-	2,464	-	25	-	-	6,039
Very Speculative	-	-	417	-	4,245	-	6	-	-	4,668
High Default Risk	-	-	219	-	5,636	-	6	-	-	5,861
Default	-	-	-	-	304	-	-	-	-	304
Short-term Ratings										
Highest	-	1,999	-	-	-	15	-	-	-	2,014
Unrated	57,802	-	4,047	-	41,817	75,459	105,628	-	59	284,812
Fiduciary Funds:										
Long-term Ratings										
Gilt Edge	$ 2,980	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,980
Unrated	1,056	-	-	-	-	3,262,465	-	-	-	3,263,521
All Other Funds:										
Long-term Ratings										
Gilt Edge	$ 112,414	$ -	$ 9,882	$ -	$ 427,059	$ 40,097	$ -	$ -	$ -	$ 589,452
High Grade	-	-	81,893	-	-	39,988	-	3,067	-	124,948
Upper Medium	-	-	73,740	-	-	-	-	-	-	73,740
Lower Medium	-	-	12,646	-	-	-	-	-	-	12,646
Speculative	-	-	451	-	-	-	-	-	-	451
Unrated	-	-	-	-	19,209	50,424	-	-	-	69,633

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 CollegeInvest major Enterprise Fund and in the College Savings Plan, a Private Purpose Trust Fund. CollegeInvest manages interest rate risk using weighted average maturity for the Enterprise Fund; prior to retiring its bonds in Fiscal Year 2009-10, it used laddering to ensure cash flow and liquidity were matched to debt service and operating requirements. 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 $32.5 million that have duration of 3.9 years. These securities are excluded from the duration table that follows 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 15.56-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	$ 4,346,141	1.304	$ 29,665	3.703	$ 10,679	15.561	$ 181,203	4.044
Commercial Paper	214,980	0.036	15,496	0.194	-	-	-	-
Corporate Bonds	395,283	2.046	78,963	3.291	-	-	178,613	3.581
Asset Backed Securities	740,549	1.356	992	5.230	-	-	440,790	2.813
Money Market Mutual Funds	190,000	0.010	1,082	0.093	-	-	-	-
Municipal Bonds	-	-	52	4.230	-	-	3,067	14.460
Total Investments	$ 5,886,953		$ 126,250		$ 10,679		$ 803,673	

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 $15,458,423 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 $15.5 million is not shown in the following duration table; however, the duration associated with the repurchase agreements is 0.3 years.

The University of Colorado has invested $1,584,407 in U.S. Treasury Inflation Protected Securities with duration of 13.5 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 for the Higher Education Institutions Lease Purchase Financing Program ($104.5 million reported in the Higher Education Institutions Fund), the Building Excellent Schools Today (BEST) program ($150.0 million primarily reported in the Public School Buildings Fund, a nonmajor Special Revenue Fund), the Ralph L. Carr Justice Complex ($235.7 million reported in the Capital Projects Fund), and the Colorado History Center ($63.6 million reported in the Capital Projects 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 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
Enterprise Funds:		
Higher Education Institutions:		
University of Colorado:		
U.S. Treasury Bonds and Notes	$ 71,547	7.89
U.S. Treasury Strips	980	19.48
U.S. Government Agency Notes	113,393	1.31
U.S. Government Agency Strips	57,433	0.44
Municipal Bonds	3,842	10.98
Corporate Bonds	125,444	4.84
Asset Backed Securities	154,458	2.59
Bond Mutual Funds	104,798	1.53
Colorado State University:		
Bond Mutual Funds	$ 622	1.89
Colorado School of Mines:		
Bond Mutual Funds	$ 2,680	5.00
Private Purpose Trust:		
CollegeInvest:		
Money Market Mutual Fund-1	$ 61,722	4.00
Money Market Mutual Fund-2	258,442	1.90
Money Market Mutual Fund-3	345,777	4.40
Money Market Mutual Fund-4	25,807	4.40
Money Market Mutual Fund-5	533,631	4.50

Foreign Currency Risk

Some of the University of Colorado Treasury's investments are exposed to certain foreign currency risks. The University's investment policy allows but does not require hedging of this risk. The university held the following assets denominated in various foreign currencies where the individual currency amounts were not material; corporate bonds - $882,140 and mutual funds - $30,828. The University also held investments in equities denominated in the following currencies (U.S. dollar amounts in millions); Australian Dollar - $1.7, Canadian Dollar - $1.2, Swiss Franc - $4.5, Euro Dollar - $12.8, British Pound - $10.9, Japanese Yen – $9.2, and Norway Kroner - $0.4, and various other currencies totaling $17.2 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 investment in the fund; Colgate Palmolive – 10.3 percent, Eli Lilly – 10.2 percent, Verizon – 10.0 percent, General Electric – 10.0 percent, Bank of America – 10.0 percent, and Citigroup – 9.6 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. The following schedule shows the State's net unrealized gains and (losses) for all funds by fund category.

(Amounts in Thousands)

	Fiscal Year 2009-10	Restated Fiscal Year 2008-09
Governmental Activities:		
Major Funds		
General Fund	$ 6,915	$ 7,301
Highway Users Tax	8,090	9,927
Capital Projects	(2,514)	3,107
State Education	(1,016)	3,509
NonMajor Funds:		
State Lands	15,604	21,233
Other Permanent Trusts	61	71
Water Projects	1,343	(8)
Labor	4,829	3,404
Gaming	974	1,064
Tobacco Impact Mitigation	(227)	1,476
Resource Extraction	2,396	2,815
Resource Management	456	333
Environment Health Protection	1,776	713
Public School Buildings	778	682
Unclaimed Property	3,176	1,560
Other Special Revenue	1,559	1,584
Highways (Internal Service)	(1)	12
Business-Type Activities:		
Major Funds		
Higher Education Institutions	75,707	(103,822)
CollegeInvest	6,237	2,062
Lottery	374	337
NonMajor Funds:		
Wildlife	355	604
College Assist	659	649
State Fair Authority	4	12
Correctional Industries	46	74
State Nursing Homes	8	55
Prison Canteens	24	59
Petroleum Storage Tank	(21)	129
Other Enterprise Activities	924	76
Fiduciary:		
Pension/Benefits Trust	397	527
Private Purpose Trust	413,976	(137,296)
	$ 542,889	$ (177,751)

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, 2010:

(Amounts in Thousands)

	Total
INVESTMENT TYPE	
Cash Equivalents	$ 32,439
U.S. Government Securities	111,697
Corporate Bonds	53,840
Corporate Securities	213,752
Asset Backed Securities	8,001
Mutual Funds	108,152
Guaranteed Investment Contracts	19,017
Other	(5,034)
TOTAL INVESTMENTS	$ 541,864

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, 2009, were:

(Amounts in Thousands)

	Total
INVESTMENT TYPE	
U.S. Government Securities	$ 33,023
Repurchase Agreements	200,992
TOTAL INVESTMENTS	$ 234,015

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, 2010:

(Amounts In Thousands)

	U.S. Govt. Agencies	Corporate Bonds	Asset Backed Securities	Guaranteed Investment Contract	Total
Long-term Ratings					
Gilt Edge	$ 18,404	$ 1,140	$ -	$ 3,896	$ 23,440
High Grade	-	25,566	8,001	15,123	48,690
Upper Medium	-	26,160	-	-	26,160
Speculative	-	974	-	-	974

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

CoverColorado, a nonmajor component unit, holds only bonds of U.S. Government agencies and corporate bonds guaranteed by U.S. Government agencies, and the Renewable Energy Authority, also a nonmajor component unit, held a money market fund. Both authorities' investments were rated AAA at December 31, 2009.

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, 2010:

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Duration
U.S. Government Securities	$ 38,801	2.853
Corporate Bonds	53,840	2.781
Asset Backed Securities	8,001	2.110

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 $234.0 million of investments subject to interest rate risk with the following maturities; one year or less – 8 percent, two to five years – 27 percent, six to ten years – 30 percent, eleven to fifteen years – 23 percent, and 16 years or more – 12 percent. The authority has entered put agreements that allow it to sell U.S. Treasury bonds at fixed amounts that will provide the authority with funds to make debt service payments in the event that a borrower fails to make loan payments to the authority.

CoverColorado, a nonmajor component unit, manages interest rate risk by matching investment maturities with the cash flow needs of its operations. The authority had $58.3 million of investments subject to interest rate risk with the following maturities; one year or less – 39 percent, one to two years – 34 percent, two to three years – 25 percent, and three to four years – 2 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, 2010, the authority had the following foreign currency exposures in United States dollars: Euro Dollar - $12,646,000, British Pound - $7,819,000, Swiss Franc - $3,364,000, Chinese Yuan - $2,601,000, Japanese Yen - $2,438,000, Brazilian Real - $1,602,000, Canadian Dollar - $1,580,000, Danish Krone - $1,069,000, and South Korean Wan - $1,026,000. An additional $6,704,000 was held in various international currencies, none of which exceeded $1.0 million.

Concentration of Credit Risk

At June 30, 2010, 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, 2009, 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, 2010, the University of Colorado Hospital Authority was party to a floating-to-fixed rate swap having a notional value of $71.6 million and a floating-to-fixed rate swap having a notional value of $101.9 million. At June 30, 2010, the agreements had fair values of ($9,786,000) and ($15,525,000), respectively, and are scheduled to terminate in 2031 and 2033, respectively.

In September 2009, the hospital sold a fixed-to-floating rate swap with a notional value of $50.0 million for $1,780,000, net of commissions and other transactions costs.

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 2009-10, the three swaps produced a net cash outflow of approximately $5.04 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, 2010, the University of Colorado Foundation held $129.1 million of domestic equity securities, $154.0 million of international equity securities, $177.2 million of fixed income securities, $419.9 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 gain of $78.2 million is net of $5.2 million of investment fees and comprises $9.9 million of interest and dividends, $20.3 million of realized gains, and $53.2 million of unrealized gains.

At June 30, 2010, the Colorado State University Foundation held $94.6 million of equity securities, $73.4 million of alternative investments (comprised of absolute return and long/short investments), $13.5 million of fixed income securities, and $50.8 million of other investments (comprised of natural resources and private equity investments).

The Colorado School of Mines Foundation's (CSMF) current spending policy allows 6.0 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, 2010, the CSMF held bonds and bond mutual funds totaling $35.1 million, stocks and stock mutual funds totaling $53.0 million, and investments in limited partnerships and real estate totaling $65.2 million in its long-term investments pool.

Of the foundation's $182.0 million of investments, $15.5 million, or 8.5 percent, was related to split interest agreements. CSMF is also the beneficiary of an endowment valued at $6.6 million and several long-term trusts valued at $1.1 million which are reported as Investments on the *Statement of Net Assets – Component Units.* Forty-one percent of the foundation's investment portfolio is invested in limited partnerships and venture capital organizations, some of which are offshore entities and some of which include derivative investments. Since there is no ready market available for these investments, the estimated value may vary significantly from a valuation at a subsequent date.

At June 30, 2010, the University of Northern Colorado Foundation held $41.3 million of equity securities, $21.5 million of bonds, and $11.9 million of other investments. The foundation's investment gain of $8.7 million is net of $0.4 million of management fees and comprises $6.7 million of net realized and unrealized gains, and $2.5 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 the University of Colorado and its blended component units. The Treasurer determines the fair value of the pool's investments at each month-end for performance tracking purposes. Short-term realized gains, losses, and interest earnings, adjusted for amortization of investment premiums and discounts, are distributed monthly. If the statutes authorize the participant to receive interest and investment earnings, these gains or losses are prorated according to the average of the participant's daily balance during the month.

NOTE 16 – CAPITAL ASSETS

Primary Government

During Fiscal Year 2009-10 the State capitalized $20.6 million of interest incurred during the construction of capital assets. The entire amount was capitalized by Higher Education Institutions.

The beginning balance of the Governmental Activities nondepreciable Infrastructure line was reduced by approximately $9,024.5 million due to a Department of Transportation change from the modified approach to depreciation for roadway infrastructure. The change moved approximately $7,975.1 million of roadway infrastructure from nondepreciable to depreciable.

An accounting principle change of $448.7 million was recorded for roadways where the most recent construction on the asset occurred before the beginning of the State's maximum 40-year depreciation period, resulting in zero remaining useful life. Generally accepted accounting principles prohibit reporting at transition accumulated depreciation for infrastructure converted from the modified approach to the depreciation approach. As a result, these assets were removed from the State's accounting records and will not be depreciated. The infrastructure change also resulted in a prior period adjustment of approximately $600.7 million on the government-wide statements related to errors in valuing roadway assets at the implementation of GASB Statement No. 34 in Fiscal Year 2001-02 (see Note 29).

The beginning balances of the Governmental and Business-Type Activities Vehicles and Equipment lines decreased by $131.8 million and $35.9 million, respectively, to separately report Software of an equivalent amount. The related Accumulated Depreciation lines segregated by $39.8 million and $25.1 million, respectively.

The beginning balance of the Governmental Activities Software line (previously reported as Vehicles and Equipment) increased by $32.9 million related to a prior period adjustment at the Department of Transportation for software costs incurred in prior years that had not previously been capitalized (see Note 29). The related Accumulated Depreciation line increased by $16.2 million.

The schedule on the following page shows the capital asset activity for Fiscal Year 2009-10.

(Amounts in Thousands)

	Restated Beginning Balance	Increases	CIP Transfers	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	$ 141,871	$ 13,846	$ -	$ (11,449)	$ 144,268
Land Improvements	9,507	-	131	-	9,638
Collections	8,955	-	-	-	8,955
Construction in Progress (CIP)	457,900	439,188	(281,376)	(2,327)	613,385
Infrastructure	837,651	-	23,611	(284)	860,978
Total Capital Assets Not Being Depreciated	1,455,884	453,034	(257,634)	(14,060)	1,637,224
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	97,311	1,320	5,210	(259)	103,582
Buildings	1,553,213	19,228	11,736	(25,730)	1,558,447
Software	164,658	4,809	3,919	10	173,396
Vehicles and Equipment	622,106	41,850	2,309	(20,191)	646,074
Library Materials and Collections	5,806	507	-	(135)	6,178
Other Capital Assets	32,614	2,583	-	(490)	34,707
Infrastructure	9,079,045	738	234,460	(1,669)	9,312,574
Total Capital Assets Being Depreciated	11,554,753	71,035	257,634	(48,464)	11,834,958
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(50,962)	(4,113)	-	211	(54,864)
Buildings	(615,255)	(39,676)	-	13,911	(641,020)
Software	(55,949)	(20,482)	-	(718)	(77,149)
Vehicles and Equipment	(369,489)	(45,367)	-	26,833	(388,023)
Library Materials and Collections	(3,792)	(371)	-	135	(4,028)
Other Capital Assets	(18,462)	(1,709)	-	(743)	(20,914)
Infrastructure	(88,990)	(870,604)	-	550	(959,044)
Total Accumulated Depreciation	(1,202,899)	(982,322)	-	40,179	(2,145,042)
Total Capital Assets Being Depreciated, net	10,351,854	(911,287)	257,634	(8,285)	9,689,916
TOTAL GOVERNMENTAL ACTIVITIES	11,807,738	(458,253)	-	(22,345)	11,327,140
BUSINESS-TYPE ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	325,624	12,567	4,339	(667)	341,863
Land Improvements	15,452	1,539	917	-	17,908
Collections	15,693	2,534	-	(52)	18,175
Construction in Progress (CIP)	597,388	669,542	(436,595)	(1,259)	829,076
Infrastructure	-	-	26	-	26
Total Capital Assets Not Being Depreciated	954,157	686,182	(431,313)	(1,978)	1,207,048
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	388,619	3,696	40,282	(50)	432,547
Buildings	4,631,978	39,283	386,110	(8,447)	5,048,924
Software	35,949	19,474	-	18,996	74,419
Vehicles and Equipment	809,555	69,484	4,921	(68,666)	815,294
Library Materials and Collections	458,258	20,468	-	(7,498)	471,228
Other Capital Assets	10,101	75	-	(81)	10,095
Infrastructure	20,911	-	-	-	20,911
Total Capital Assets Being Depreciated	6,355,371	152,480	431,313	(65,746)	6,873,418
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(177,983)	(17,916)	-	45	(195,854)
Buildings	(1,657,820)	(150,871)	-	3,650	(1,805,041)
Software	(25,070)	(3,577)	-	(1,755)	(30,402)
Vehicles and Equipment	(569,054)	(63,370)	-	47,756	(584,668)
Library Materials and Collections	(320,810)	(20,133)	-	7,472	(333,471)
Other Capital Assets	(65)	(69)	-	(307)	(441)
Infrastructure	(10,251)	(519)	-	-	(10,770)
Total Accumulated Depreciation	(2,761,053)	(256,455)	-	56,861	(2,960,647)
Total Capital Assets Being Depreciated, net	3,594,318	(103,975)	431,313	(8,885)	3,912,771
TOTAL BUSINESS-TYPE ACTIVITIES	4,548,475	582,207	-	(10,863)	5,119,819
TOTAL CAPITAL ASSETS, NET	$ 16,356,213	$ 123,954	$ -	$ (33,208)	$ 16,446,959

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

(Amounts in Thousands)

	Depreciation Amount
GOVERNMENTAL ACTIVITIES:	
General Government	$ 16,207
Business, Community, and Consumer Affairs	4,503
Education	1,916
Health and Rehabilitation	6,167
Justice	32,106
Natural Resources	6,399
Social Assistance	8,878
Transportation	891,052
Internal Service Funds (Charged to programs and BTAs based on useage)	15,094
Total Depreciation Expense Governmental Activities	982,322
BUSINESS-TYPE ACTIVITIES	
Higher Education Institutions	247,349
CollegeInvest	129
State Lottery	621
Other Enterprise Funds	8,356
Total Depreciation Expense Business-Type Activities	256,455
Total Depreciation Expense Primary Government	$ 1,238,777

Component Units

At June 30, 2010, the University of Colorado Hospital Authority reported $13.2 million of nondepreciable assets, including land and construction in progress. Depreciable assets included buildings and improvements of $662.4 million and equipment of $238.3 million. Accumulated depreciation related to these capital assets was $347.6 million resulting in net depreciable capital assets of $553.1 million.

During Fiscal Year 2009-10, the hospital implemented a fully integrated electronic medical record system and standardized its human resources and financial systems as part of an IT strategic plan to upgrade key systems used in the hospital over the next five years. Costs incurred as of June 30, 2010, for the overall project approximated $19.8 million.

The Colorado Water Resources and Power Development Authority reported capital assets of $10,272 net of accumulated depreciation of $89,894 at December 31, 2009.

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, reported land, land improvements, buildings, and other property and equipment, of $146.6 million, net of accumulated depreciation of $62.9 million, at December 31, 2009. 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 $3.1 million, net of accumulated depreciation of $8.5 million, at June 30, 2010.

NOTE 17 – OTHER LONG-TERM ASSETS

The $764.3 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 $194.0 million, held in the General Fund and the Highway Users Tax Fund, are not segregated on the *Balance Sheet – Governmental Fund,* but are shown in Taxes Receivable and Restricted Receivables, respectively, and the taxes receivables are offset by Deferred Revenue.

The $450.7 million of Other Long-Term Assets shown on the fund-level *Balance Sheet – Governmental Funds* is primarily related to loans issued by the Highway Users Tax Fund ($18.8 million), a major Special Revenue Fund, and the Water Projects Fund ($400.1 million), a nonmajor Special Revenue Fund. The Water Conservation Board makes the water loans to local entities for the purpose of constructing water projects in the State.

The 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.

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

The $119.4 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.

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 Infoline at 1-800-759-7372, or by visiting http://www.copera.org.

<u>Administration of the Plan</u>

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, and the Health Care Trust Fund. 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.

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 he 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 contributions 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 plan.

<u>Defined Retirement Benefits</u>

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

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

State troopers and Colorado Bureau of Investigation (CBI) officers are eligible for retirement benefits at the following age and years of service; any age – 30, 50 – 25, 55 – 20 and 65 – 5. Reduced service benefits are calculated 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. Members are also eligible for retirement benefits without a reduction for early retirement based on the original hire date as follows:

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

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

Monthly benefits are calculated as 2.5 percent times the number of years of services times the highest average salary (HAS). For retirements before January 1, 2009, HAS 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 three 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 three 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.

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. The 2009 CPI was negative resulting in a calendar year 2010 increase of 0 percent. The 2010 legislation moved the payment date of all increases to July. New rules governing the annual increase amount will be in effect beginning January 1, 2011.

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 2 percent annual increase cap will decrease by 0.25 percentage points per year, but will never drop below 2 percent.

<u>Money Purchase Retirement Benefit</u>

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.

<u>Service Requirement and Termination</u>

Plan members who terminate PERA-covered employment may request a member contribution account refund or leave the account with PERA; a refund cancels a former PERA member's rights to future PERA benefits. Members who withdraw their accounts before reaching retirement eligibility or before reaching age 65 receive a refund of their contributions, interest on their contributions, plus an additional 50 percent of their contribution and interest. If the withdrawing member has reached age 65 or is retirement eligible, the matching payment increases to 100 percent. Statutes authorize the PERA Board to set the interest paid to member contribution accounts but limits the rate to a maximum of 5 percent. Effective January 1, 2009 the rate was set at 3 percent.

<u>Disability and Survivor Benefits</u>

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 8 percent of their gross covered wages, except for State troopers and Colorado Bureau of Investigation officers, who contribute 10 percent. Annual gross covered wages subject to PERA are gross earnings less any reduction in pay to offset employer contributions to the State sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code.

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	
Fiscal Year 2009-10				
1-1-10 to 6-30-10	17.36	16.55	13.85	100
7-1-09 to 12-31-09	16.46	15.65	12.95	100
Fiscal Year 2008-09				
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
Fiscal Year 2007-08				
1-1-08 to 6-30-08	15.56	14.75	12.05	100
7-1-07 to 12-31-07	14.66	13.85	11.15	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. If the funding ratio reaches 103 percent, both the AED and the SAED will be reduced by one-half percentage point. Neither the AED nor the SAED may exceed 5 percent.

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

The Fiscal Year 2009-10 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, 2009, to December 31, 2009, 11.93 percent was allocated to the defined benefit plan, and
- From January 1, 2010, to June 30, 2010, 12.83 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, 2009, the State Division of PERA had a funded ratio of 67.0 percent and a 43-year amortization period based on current contribution rates. The funded ratio on the market value of assets is lower at 58.0 percent.

The State made the following retirement contributions:

- 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
- Fiscal Year 2000-01 - $156.0 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
2009	$480,642	20.16%	61%
2008	$424,761	17.91%	63%
2007	$412,638	18.45%	56%

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 2009-10 and 2008-09, the Department of Local Affairs transferred $4.2 million and $4.0 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 transferred $34.8 million in Fiscal Year 2007-08 to the pension plan. However, during Fiscal Year 2009, transfers to ensure the actuarial soundness of the pension plan were suspended to address State budget shortfalls. 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 $139,000 to this plan in Fiscal Year 2009-10. 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 $19.2 million in Fiscal Year 2009-10 to this plan. The amount of the actuarially computed net periodic pension cost was $19.5 million. In Fiscal Year 2008-09, the hospital elected to contribute additional moneys to the plan resulting in a net pension asset of $6.9 million as of June 30, 2010, 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, 2009, 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, 2007. 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 State-wide Internet Portal Authority are covered under the State Division of PERA discussed above.

NOTE 19 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE

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

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

Primary Government

PERA Health Care Trust Fund

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

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

An additional implicit subsidy exists for participating retirees not eligible for Medicare Part A. This occurs because State statute prohibits PERA from charging different rates to retirees based on their Medicare Part A coverage, notwithstanding that the premium is calculated assuming that the participants have Medicare Part A coverage. At December 31, 2009, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.50 billion, a funded ratio of 14.8 percent, and a 53-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 $24.0 million, $24.6 million, $23.1 million, $24.4 million, and $20.6 million in Fiscal Years 2009-10, 2008-09, 2007-08, 2006-07, and 2005-06, 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 2009. As of December 31, 2009, there were 46,985 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.

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 2009-10, the University contributed $10.8 million to the plan. Plan members contributed 0.27 percent of covered payroll (defined as the annual payroll of active employees covered by the plan) and the University contributed 0.82 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	$ 21,853
Interest on net OPEB obligation	1,112
Adjustment to annual required contribution	(1,434)
Annual OPEB cost (expense)	21,531
Contributions made	(10,751)
Increase in net OPEB obligation	10,780
Net OPEB obligation - beginning of year	22,242
Net OPEB obligation - end of year	$ 33,022

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal Year 2009-10 were as follows:

(Amounts In Thousands)

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009-10	$ 21,531	49.9%	$ 33,022

As of July 1, 2008, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was $196.7 million and the actuarial value of assets was $0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of $196.7 million. The covered payroll was $898.9 million, and the ratio of UAAL to covered payroll was 21.9 percent.

In the July 1, 2008, actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a five percent investment rate of return and a two percent annual increase in medical claims. The UAAL is being amortized as a level dollar amount on a closed 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 91st consecutive calendar day of total disability. LTD covers a percentage of the monthly salary up to established caps and continues until recovery, death, or until attained age between 65 and 70 years depending on when the employee became disabled. The University's Board of Governors has the authority to establish and amend benefits provisions for all plans.

Colorado State University issues a publicly available financial report that includes financial statements and required supplementary information for all of the plans. That report may be obtained by writing to 202 Administration Annex, Johnson Hall, 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 2009-10, the university contributed $561,379 to the RMPR, $1,246,463 to the RMPS, $145,252 to the URX and $982,686 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	$ 2,393	$ 4,147
Interest on net OPEB obligation	135	219
Adjustment to annual required contribution	(113)	(316)
Annual OPEB cost (expense)	2,415	4,050
Contributions made	(561)	(1,246)
Increase in net OPEB obligation	1,854	2,804
Net OPEB obligation - beginning of year	3,377	5,479
Net OPEB obligation - end of year	$ 5,231	$ 8,283

(Amounts In Thousands)

	URX	LTD
Annual required contribution	$ 187	$ 1,109
Interest on net OPEB obligation	8	14
Adjustment to annual required contribution	(11)	(12)
Annual OPEB cost (expense)	184	1,111
Contributions made	(145)	(983)
Increase in net OPEB obligation	39	128
Net OPEB obligation - beginning of year	196	360
Net OPEB obligation - end of year	$ 235	$ 488

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 2009-10 were as follows:

(Amounts In Thousands)

	Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
RMPR	2009-10	$ 2,415	23.2%	$ 5,231
RMPS	2009-10	$ 4,050	30.8%	$ 8,283
URX	2009-10	$ 184	79.2%	$ 235
LTD	2009-10	$ 1,111	88.4%	$ 488

As of the most recent actuarial valuation date of January 1, 2009, 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 $25.2 million, $55.9 million, $2.9 million, and $12.2 million respectively, resulting in unfunded actuarial accrued liabilities of $25.2 million, $55.9 million, $2.9 million and $12.2 million, respectively. The covered payroll (annual payroll of active employees covered by the plan) of the RMPR was $241.5 million, and the ratio of unfunded actuarial accrued liability (UAAL) to covered payroll was 10.4 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 plan used a level percentage of projected payroll to amortize the UAAL and the RMPS, URX, and LTD 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-eight 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 both 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 (e.g., 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.

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 2009, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of $16,500. Participants who are age 50 and older, and contributing the maximum amount allowable, can make an additional $5,500 in 2009, for total contributions of $22,000. Contributions and earnings are tax deferred. At December 31, 2009, the plan had 18,007 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) 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 2009 and 2010, for total contributions of $22,000. Contributions and earnings are tax deferred. On December 31, 2009, the plan had net assets of $1,674.9 million and 75,819 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. At December 31, 2009, the plan had 3,039 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 on page 104.

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 $95.5 million and $90.5 million during Fiscal Years 2009-10 and 2008-09, respectively. In addition, the State paid $78.0 million and $76.3 million in FICA and Medicare taxes on employee wages during Fiscal Years 2009-10 and 2008-09, respectively.

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

STATEMENT OF FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT FUNDS
JUNE 30, 2010

(DOLLARS IN THOUSANDS)	DEFERRED COMPENSATION PLAN	DEFINED CONTRIBUTION PLAN	GROUP BENEFIT PLANS	TOTALS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 28	$ 11	$ 32,308	$ 32,347
Other Receivables, net	-	-	5,076	5,076
Due From Other Governments	-	-	36	36
Due From Other Funds	-	-	19,873	19,873
Prepaids, Advances, and Deferred Charges	-	-	7	7
Total Current Assets	28	11	57,300	57,339
TOTAL ASSETS	28	11	57,300	57,339
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	28	11	14,091	14,130
Claims and Judgments Payable	-	-	17,873	17,873
Total Current Liabilities	28	11	31,964	32,003
Noncurrent Liabilities:				
Accrued Compensated Absences	-	-	41	41
Total Noncurrent Liabilities	-	-	41	41
TOTAL LIABILITIES	28	11	32,005	32,044
NET ASSETS:				
Held in Trust for:				
Pension/Benefit Plan Participants	-	-	24,884	24,884
Unrestricted	-	-	411	411
TOTAL NET ASSETS	$ -	$ -	$ 25,295	$ 25,295

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

(DOLLARS IN THOUSANDS)	DEFERRED COMPENSATION PLAN	DEFINED CONTRIBUTION PLAN	GROUP BENEFIT PLANS	TOTALS
ADDITIONS:				
Member Contributions	$ -	$ -	$ 67,925	$ 67,925
Employer Contributions	-	-	195,905	195,905
Investment Income/(Loss)	2	-	1,306	1,308
Employee Deferral Fees	-	-	1,361	1,361
Other Additions	-	-	15,068	15,068
Transfers-In	-	-	1,406	1,406
TOTAL ADDITIONS	2	-	282,971	282,973
DEDUCTIONS:				
Health Insurance Premiums Paid	-	-	115,044	115,044
Health Insurance Claims Paid	-	-	124,954	124,954
Other Benefits Plan Expense	-	-	19,784	19,784
Administrative Expense	65	33	-	98
Other Deductions	-	-	20,726	20,726
Transfers-Out	-	-	300	300
TOTAL DEDUCTIONS	65	33	280,808	280,906
CHANGE IN NET ASSETS	(63)	(33)	2,163	2,067
NET ASSETS AVAILABLE:				
FISCAL YEAR BEGINNING	352,858	18,682	23,142	394,682
Prior Period Adjustments (Note 29)	(352,795)	(18,649)	(10)	(371,454)
FISCAL YEAR ENDING	$ -	$ -	$ 25,295	$ 25,295

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

Component Units

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

The University of Colorado Hospital Authority provides a single employer defined contribution plan (401a) and a single employer tax-deferred annuity plan (403b) that required the hospital to make matching contributions of $6.1 million in Fiscal Year 2009-10. 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.

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 part of the General Fund, and it is used to account for claims adjustment, investigation, defense, and authorization for the settlement and payment of claims or judgments against the State. Property claims are not self-insured; the State has purchased property insurance, which includes flood and terrorism coverage. Settlements have not exceeded insurance coverage in any of the three prior years.

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

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

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

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

From January 1, 2000 through June 30, 2005, the State and its employees purchased insurance for medical claims. Beginning July 1, 2005, the State returned to the self-funding approach (used prior to January 1, 2000) for medical claims except for stop-loss insurance purchased for claims over $150,000 per individual. In Fiscal Year 2009-10, the State recovered approximately $11.2 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 (see Note 20).

The State recorded $16.8 million of insurance recoveries during Fiscal Year 2009-10. Of that amount approximately $2.3 million was related to asset impairments that occurred in prior years primarily at the Departments of Corrections and Transportation, in the General Fund and Highway Users Tax Fund, respectively. The remaining $14.5 million relates to the current year and was primarily recorded by Group Benefits Plans ($11.2 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, $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 2009-10, 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 2009-10 for this program. There have been no collections against the aggregate stop-loss insurance in the previous three years; however, the university collected $1,010,563 from the stop-loss insurance carrier for individual claims in excess of the threshold from Fiscal Years 2008 through 2010. 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 2009-10, 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 2009-10, 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 has purchased $3.0 million of general liability insurance ($5,000 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), and $500.0 million of commercial property insurance ($25,000 deductible). There were no significant reductions in insurance coverage in Fiscal Year 2009-10, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

Changes in claims liabilities were as follows:

Changes in Claims Liabilities
(Amounts in Thousands)

Fiscal Year	Liability at July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability at June 30
State Risk Management:				
Liability Fund				
2009-10	$ 17,703	$ 9,941	4,706	$ 22,938
2008-09	17,703	6,435	6,435	17,703
2007-08	23,959	(1,305)	4,951	17,703
Workers' Compensation				
2009-10	84,147	53,278	36,638	100,787
2008-09	83,203	37,147	36,203	84,147
2007-08	76,095	41,206	34,098	83,203
Group Benefit Plans:				
2009-10	16,621	143,098	141,846	17,873
2008-09	17,254	135,837	136,470	16,621
2007-08	17,547	132,422	132,715	17,254
University of Colorado:				
General Liability, Property, and Workers' Compensation				
2009-10	11,663	5,905	6,007	11,561
2008-09	14,080	4,040	6,457	11,663
2007-08	13,349	7,004	6,273	14,080
University of Colorado Denver:				
Medical Malpractice				
2009-10	5,065	273	749	4,589
2008-09	4,175	2,830	1,940	5,065
2007-08	5,246	349	1,420	4,175
Graduate Medical Education Health Benefits Program				
2009-10	1,603	6,280	6,562	1,321
2008-09	1,257	8,693	8,347	1,603
2007-08	1,138	6,403	6,284	1,257
Colorado State University:				
Medical, Dental, and Disability Benefits				
2009-10	18,537	32,285	29,056	21,766
2008-09	17,798	28,919	28,180	18,537
2007-08	13,953	29,104	25,259	17,798
University of Northern Colorado:				
General Liability, Property, and Workers' Compensation				
2009-10	24	92	91	25
2008-09	75	15	66	24
2007-08	358	(51)	232	75

Component Units

In order to manage malpractice claims risk, the University of Colorado Hospital Authority participates in a self-insurance trust called 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 2009-10, the hospital recorded premium and administrative expenses of $719,000. The trust had a fund balance of $2.2 million, which was net of approximately $4.6 million in reserves for losses and loss adjustment expense. The hospital purchases insurance coverage for theft, property damage, injuries and accidents, business interruption, automobile, nonowned aircraft, errors and omissions, fiduciary responsibility, 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, 2010, 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	$ 53,842	$ 65,757
Business-Type Activities	7,220	127,175	26,982
Total	$ 7,955	$ 181,017	$ 92,739

At June 30, 2010, the State expected the following sublease rentals related to its capital and operating leases:

(Amounts in Thousands)

Sublease Rentals

	Capital	Operating	Total
Governmental Activities	$ 299	$ 659	$ 958
Business-Type Activities	-	2,083	2,083
Total	$ 299	$ 2,742	$ 3,041

During the year ended June 30, 2010, the State incurred the following contingent rentals related to capital and operating leases:

(Amounts in Thousands)

Contingent Rentals

	Capital	Operating	Total
Business-Type Activities	$ -	$ 79	$ 79
Total	$ -	$ 79	$ 79

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, 2010, the total obligation for the space was $3.2 million, and the total obligation for the vehicles and equipment was $3.8 million.

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.

Morgan Community College made lease payments of $38,174 to the Morgan Community College Foundation for classroom facilities.

Trinidad State Junior College made operating lease payments of $80,927 to the Trinidad State Junior College Educational Foundation.

The Colorado Community College System made lease payments of $566,197 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 2009-10, the State recorded building and land rent of $45.7 million and $20.8 million in governmental and business-type activities, respectively. The State also recorded equipment and vehicle rental expenditures of $8.7 million and $28.9 million in governmental and business-type activities, respectively. The above amounts were payable to entities outside the State and do not include transactions with the State fleet management program.

The State recorded $3.0 million of lease interest costs in the governmental activities and $1.9 million in the business-type activities.

The State entered into approximately $16.8 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, 2010, for existing leases were as follows:

(Amounts in Thousands)

	Operating Leases		Capital Leases	
Fiscal Year(s)	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
2011	$ 44,168	$ 17,618	$ 15,728	$ 10,808
2012	36,420	12,427	15,369	10,202
2013	31,164	10,162	13,333	9,873
2014	25,538	8,322	11,722	9,411
2015	22,915	7,222	10,350	8,806
2016 to 2020	58,096	18,810	33,950	37,839
2021 to 2025	131	4,322	17,985	20,841
2026 to 2030	108	2,934	7,023	5,480
2031 to 2035	116	914	2,610	1,426
2036 to 2040	124	643	-	-
2041 to 2045	104	643	-	-
2046 to 2050	77	321	-	-
Total Minimum Lease Payments	218,961	84,338	128,070	114,686
Less: Imputed Interest Costs			30,940	31,312
Present Value of Minimum Lease Payments	$ 218,961	$ 84,338	$ 97,130	$ 83,374

Component Units

The University of Colorado Hospital Authority leases certain equipment under noncancellable operating leases. Rental expense for operating leases approximated $5.2 million for Fiscal Year 2009-10. Future minimum lease payments for these leases at June 30, 2010, are:

(Amounts in Thousands)

Fiscal Year	Amount
2011	$ 3,082
2012	2,560
2013	2,494
2014	2,178
2015	1,964
Thereafter	4,176
Total Minimum Obligations	$ 16,454

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, 2009 was $138,748. The total minimum rental commitment under this lease is $317,855 as of 2009.

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 $3.3 million at June 30, 2010. Total minimum lease payments including interest at June 30, 2010, were $4.3 million. The lessor of the building has promised to make a nonreciprocal transfer of the building or its cash equivalent to the foundation on or before September 2014. The net book value of the property and equipment under the capital lease totaled $2.0 million, net of accumulated depreciation of $3.8 million, as of June 30, 2010.

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, 2010 was $194,043. The total minimum rental commitment under the leases was $0.8 million at June 30, 2010.

NOTE 23 – SHORT-TERM DEBT

On July 20, 2009**,** the State Treasurer issued $650.0 million of General Fund Tax Revenue Anticipation Notes, Series 2009A. The notes were due and payable on June 25, 2010, at a coupon rate of 2.0 percent and net of interest costs of 0.45 percent. The notes were issued to meet short-term cash flow needs of the General Fund and were repaid before June 30, 2010, 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 22, 2009, the State Treasurer issued $255.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2009A. The notes had coupon rates ranging from 1.5 to 2.0 percent and average net interest costs of 0.58 percent and matured on August 12, 2010.

On January 11, 2010, the State Treasurer issued $260.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2010A. The notes had a coupon rate of 1.5 percent and average net interest costs of 0.28 percent and matured on August 12, 2010.

On June 25, 2010, Colorado Bridge Enterprise entered into a tax-exempt short-term loan in the amount of $40.0 million. The loan proceeds will be used to design and construct replacements or rehabilitations for structurally deficient or functionally obsolete bridges throughout the State that the Department of Transportation has rated as poor and to pay related issuances costs on the loan. The loan has a variable tax-exempt rate of 65 percent of British Bankers' Association London InterBank Offering Rate (BBA LIBOR) Daily Floating Rate plus 60 basis points (bps). The BBA LIBOR Daily Floating Rate is capped at 90 bps. The maximum rate has been calculated by the Department of Transportation as 1.2 percent. The loan is due and payable on March 15, 2011.

The following schedule shows the changes in short-term financing for the period ended June 30, 2010:

(Amount in Thousands)

	Beginning Balance July 1	Changes		Ending Balance June 30
		Additions	Reductions	
Governmental Activities:				
Tax Revenue Anticipation Notes	$ -	$ 650,000	$ (650,000)	$ -
Education Loan Anticipation Notes	$ 515,000	515,000	$ (515,000)	515,000
Total Governmental Activities Short-Term Financing	515,000	1,165,000	(1,165,000)	515,000
Business Type Activities				
Short-Term External Loans	-	40,000	-	40,000
Total Business Type Activities Short-Term Financing	-	40,000	-	40,000
Total Short-Term Financing	$ 515,000	$ 1,205,000	$ (1,165,000)	$ 555,000

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

Primary Government

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

During Fiscal Year 2009-10 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 $470.5 million of available net revenue after operating expenses to meet the $132.4 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 35.)

The State recorded $215.9 million of interest costs, of which, $83.8 million was recorded by governmental activities and $132.2 million was recorded by business-type activities. The governmental activities interest cost primarily comprises $10.0 million of General Fund interest on Tax Revenue Anticipation Notes issued by the Department of Treasury, $55.6 million of Highway Users Tax Fund interest on Transportation Revenue Anticipation Notes issued by the Department of Transportation, and $10.5 million of interest primarily on Certificates of Participation issued by the Judicial Branch. The business-type activities interest cost primarily comprises $91.9 million of interest on revenue bonds issued by institutions of higher education, $23.7 million of interest on revenue bonds issued by CollegeInvest that were liquidated before fiscal year-end, and $16.1 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, 2010, are as follows:

(Amounts in Thousands)

	Governmental Activities							
Fiscal	Revenue Bonds		Notes Payable		Certificates of Participation		Totals	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 119,385	$ 48,605	$ 515,000	$ 6,914	$ 8,060	$ 32,165	$ 642,445	$ 87,684
2012	125,265	42,725	-	-	17,765	32,075	143,030	74,800
2013	132,105	35,889	-	-	21,620	31,614	153,725	67,503
2014	140,545	27,446	-	-	21,930	30,756	162,475	58,202
2015	146,575	21,418	-	-	22,210	29,626	168,785	51,044
2016 to 2020	283,750	14,606	-	-	107,666	128,155	391,416	142,761
2021 to 2025	-	-	-	-	158,690	106,627	158,690	106,627
2026 to 2030	-	-	-	-	103,520	85,654	103,520	85,654
2031 to 2035	-	-	-	-	62,035	61,472	62,035	61,472
2036 to 2040	-	-	-	-	67,870	40,812	67,870	40,812
2041 to 2045	-	-	-	-	83,980	16,022	83,980	16,022
2046 to 2050	-	-	-	-	4,745	158	4,745	158
Subtotals	947,625	190,689	515,000	6,914	680,091	595,136	2,142,716	792,739
Unamortized Prem/Discount	44,811	-	-	-	9,843	-	54,654	-
Accrued Capital Appreciation Certificates	-	-	-	-	39	-	39	-
Totals	$ 992,436	$ 190,689	$ 515,000	$ 6,914	$ 689,973	$ 595,136	$ 2,197,409	$ 792,739

(Amounts in Thousands)

Business-Type Activities

Fiscal Year	Revenue Bonds Principal	Revenue Bonds Interest	Notes Payable Principal	Notes Payable Interest	Certificates of Participation Principal	Certificates of Participation Interest	Totals Principal	Totals Interest
2011	$ 57,065	$ 108,115	$ 40,464	$ 509	$ 2,450	$ 21,520	$ 99,979	$ 130,144
2012	64,865	106,552	474	147	9,964	21,028	75,303	127,727
2013	85,870	104,712	438	129	18,149	20,507	104,457	125,348
2014	69,330	101,700	453	110	18,954	19,715	88,737	121,525
2015	70,560	98,877	474	89	19,834	18,933	90,868	117,899
2016 to 2020	376,840	446,389	1,585	131	114,194	79,549	492,619	526,069
2021 to 2025	446,900	353,638	65	11	143,909	46,684	590,874	400,333
2026 to 2030	427,975	242,583	7	-	93,390	13,202	521,372	255,785
2031 to 2035	386,675	134,905	-	-	12,825	321	399,500	135,226
2036 to 2040	230,400	44,009	-	-	-	-	230,400	44,009
2041 to 2045	37,990	6,032	-	-	-	-	37,990	6,032
Subtotals	2,254,470	1,747,512	43,960	1,126	433,669	241,459	2,732,099	1,990,097
Unamortized Prem/Discount	25,221	-	(35)	-	(971)	-	24,215	-
Unaccreted Interest	(15,858)	-	-	-	-	-	(15,858)	-
Totals	$ 2,263,833	$ 1,747,512	$ 43,925	$ 1,126	$ 432,698	$ 241,459	$ 2,740,456	$ 1,990,097

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.

Assuming current interest rates are applied over the term of the debt, at June 30, 2010, 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	Total
2011	$ 350	$ 119	$ 1,427	$ 1,896
2012	550	117	1,408	2,075
2013	575	116	1,389	2,080
2014	600	114	1,369	2,083
2015	625	112	1,348	2,085
2016 to 2020	3,400	533	6,389	10,322
2021 to 2025	4,325	481	5,765	10,571
2026 to 2030	9,675	385	4,619	14,679
2031 to 2035	14,125	203	2,432	16,760
2036 to 2040	8,635	26	306	8,967
Totals	$ 42,860	$ 2,206	$ 26,452	$ 71,518

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	$ 515,000	$ 646,735	$ 2,649,300
Business Type Activities	2,739,637	46,569	457,759	$ 3,243,965
Total	$ 4,227,202	$ 561,569	$ 1,104,494	$ 5,893,265

Component Units

The debt service requirements to maturity for the Colorado Water Resources and Power Development Authority at December 31, 2009, excluding unamortized original issue discount and premium and deferred refunding costs are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2010	$ 54,780	$ 48,959	$ 103,739
2011	58,750	46,382	105,132
2012	59,025	43,636	102,661
2013	57,045	40,878	97,923
2014	57,930	38,230	96,160
2015 to 2019	270,790	151,100	421,890
2020 to 2024	219,945	89,536	309,481
2025 to 2029	103,530	48,385	151,915
2030 to 2034	80,375	29,663	110,038
2035 to 2039	44,535	10,648	55,183
2040 to 2044	22,195	2,988	25,183
Total Future Payments	$ 1,028,900	$ 550,405	$ 1,579,305

The original principal amount for the outstanding bonds was $1.7 billion. Total interest paid during 2009 amounted to $51.0 million.

All of the Colorado Water Resources and Power Development Authority's Small Water Resources Program bonds (except for the 1996A bonds) and the Series 1989A and Series 1990A Clean Water Revenue Bonds are insured as to payment of principal and interest by Nation 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 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, Series 2005C, Series 2005D, Series 2008A, and Series 2009A 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, 2009, had $74.4 million of these bonds outstanding.

In August 2009, the University of Colorado Hospital Authority issued $51.8 million of Series 2009A Revenue Bonds with an average interest rate of 5.75 percent. Proceeds from the bonds will be used to fully refund the Series 2006B bonds (see Note 26).

During Fiscal Year 2009-10, the hospital met all the financial ratio requirements of its bond indentures. The hospital's interest payments in Fiscal Year 2009-10 were $22.3 million.

The aggregate maturities of long-term debt for the University of Colorado Hospital Authority at June 30, 2010, are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2011	$ 13,591	$ 23,609	$ 37,200
2012	12,755	23,272	36,027
2013	13,380	22,647	36,027
2014	12,748	22,129	34,877
2015	13,180	21,553	34,733
2016 to 2020	71,515	98,594	170,109
2021 to 2025	90,570	79,607	170,177
2026 to 2030	115,580	54,590	170,170
2031 to 2035	119,170	29,494	148,664
2036 to 2040	78,345	8,828	87,173
Total Long-Term Debt Payments	540,834	$ 384,323	$ 925,157
Less: Unamortized Discount	(1,954)		
Deferred Amount on Refunding of			
Series 1997 A Bonds	(3,610)		
Series 2008 B Bonds	(7,888)		
Series 2009 A Bonds	(250)		
Total Carrying Amount of Long-Term Debt	$ 527,132		

In July 2007, the University of Colorado Foundation established a $20.0 million, three-year committed, unsecured line of credit with a bank. The credit line carried variable interest based on the lending bank's floating prime rate less 125 basis points. No amounts were outstanding at June 30, 2010.

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.

NOTE 25 – CHANGES IN LONG-TERM LIABILITIES

Primary Government

The following table summarizes the changes in long-term liabilities for Fiscal Year 2009-10:

(Amount in Thousands)

	Beginning Balance July 1	Changes Additions	Changes Reductions	Ending Balance June 30	Due Within One Year
Governmental Activities					
Deposits Held In Custody For Others	$ 3,002	$ 1	$ (428)	$ 2,575	$ 2,561
Accrued Compensated Absences	149,605	13,479	(14,573)	148,511	10,287
Claims and Judgments Payable	395,307	17,086	(20,818)	391,575	44,181
Capital Lease Obligations	91,813	17,123	(11,806)	97,130	11,384
Bonds Payable	1,106,973	-	(114,537)	992,436	119,385
Certificates of Participation	162,052	566,894	(38,974)	689,972	8,060
Other Long-Term Liabilities	397,774	43,758	(38,933)	402,599	-
Total Governmental Activities Long-Term Liabilities	2,306,526	658,341	(240,069)	2,724,798	195,858
Business-Type Activities					
Accrued Compensated Absences	198,173	24,874	(13,717)	209,330	13,035
Claims and Judgments Payable	27,541	14,093	(12,173)	29,461	-
Capital Lease Obligations	93,773	1,717	(12,116)	83,374	6,672
Derivative Instrument Liabilities	-	7,778	-	7,778	-
Bonds Payable	3,551,588	606,984	(1,851,879)	2,306,693	57,415
Certificates of Participation	446,657	389,766	(403,724)	432,699	2,450
Notes, Anticipation Warrants, Mortgages	4,770	-	(845)	3,925	464
Other Postemployment Benefits	31,689	20,775	(5,205)	47,259	-
Other Long-Term Liabilities	48,305	3,604	(8,170)	43,739	4,788
Total Business-Type Activities Long-Term Liabilities	4,402,496	1,069,591	(2,307,829)	3,164,258	84,824
Fiduciary Activities					
Deposits Held In Custody For Others	441,961	348,097	(11,314)	778,744	723,248
Accrued Compensated Absences	53	1	(13)	41	-
Other Long-Term Liabilities	8,459	103	(716)	7,846	-
Total Fiduciary Activities Long-Term Liabilities	450,473	348,201	(12,043)	786,631	723,248
Total Primary Government Long-Term Liabilities	$ 7,159,495	$2,076,133	$ (2,559,941)	$ 6,675,687	$ 1,003,930

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 Other Postemployment Benefits, Derivative Instrument Liabilities, or Other Long-Term Liabilities (except for CollegeInvest's prepaid tuition costs in the business-type activities).

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

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

At June 30, 2010, the following obligations were classified as Other Long-Term Liabilities on the government-wide *Statement of Net Assets*:

The $402.6 million shown for governmental activities primarily comprises:

- $265.7 million of tax refunds payable at the Department of Revenue, which were at various levels of administrative and legal appeal. These refunds relate to tax revenues of the General Fund and Highway Users Tax Fund. Payment is not expected within one year.

- $119.3 million of pollution remediation obligations at the Department of Public Health and Environment (see Note 27 for additional information on pollution remediation obligations).
- $17.2 million of unclaimed property liabilities to claimants.

The $43.7 million (including $2.5 million Due to Component Units) shown for business-type activities primarily comprises:

- $27.8 million of commitments to pay future tuition costs related to the prepaid tuition program of CollegeInvest. An additional $4.8 million will be paid within one year and is reported as an Other Current Liability.
- $8.5 million of deferred revenue that the State does not expect to recognize within the following year. The most significant balances relate to unearned rent at the University of Colorado ($5.5 million) 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
University of Colorado Hospital Authority					
Bonds Payable	$ 528,812	$ 10,926	$ (12,606)	$ 527,132	$ 13,591
Colorado Water Resources and Power Development Authority					
Bonds Payable	$ 1,068,803	$ 15,735	$ (55,165)	$ 1,029,373	$ 54,780
Other Long-Term Liabilities	$ 111,068	$ 108,669	$ (93,354)	$ 126,383	$ 111,292

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

The University of Colorado Foundation has beneficial interest in various split-interest agreements including charitable gift annuities, charitable remainder trusts (annuity and unitrust), a 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, 2010, the foundation held $53.6 million of split interest agreement investments with $33.2 million of related liabilities and reported $3.8 million of net beneficial interest in charitable trusts held by others.

At June 30, 2010, the University of Colorado Foundation held $206.0 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, 2010, total life income agreement assets of CSUF were $662,531. Life income agreements payable at the same date totaled $872,493. 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, 2010, the foundation held $10.7 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, 2010, the Colorado School of Mines Foundation (CSMF), acting as trustee, held charitable trust and pooled income assets of $15.5 million; related liabilities of $10.2 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 $10.2 million shown above and total $5.0 million. At June 30, 2010, CSMF reported $13.0 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

Primary Government

Debt is defeased by depositing in escrow accounts an amount sufficient, together with known minimum investment yields, to pay principal, interest, and any redemption premium on the debt to be defeased. During Fiscal Year 2009-10, debt was defeased in both the governmental and business-type activities.

At June 30, 2010, the remaining balances of amounts previously placed in escrow accounts with paying agents are as follows:

(Amount in Thousands)

Agency	Amount
Governmental Activities:	
Department of Transportation	$ 378,595
Department of Treasury	34,050
Department of Corrections	26,330
Business-Type Activities:	
University of Colorado	192,532
Mesa State College	28,445
Colorado School of Mines	23,800
Colorado State University	10,455
Western State College	10,210
Adams State College	8,905
Total	$ 713,322

The Department of Treasury issued $35,905,000 of Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2009 to partially defease $34,050,000 of its Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008. The defeased Certificates had an average interest rate of 5.21 percent, and the new Certificates had an average interest rate of 3.81 percent. The remaining term of the Certificates was unchanged at 17.88 years, and the estimated debt service cash flows decreased by $680,697. The defeasance resulted in an economic gain of $601,468 and a book loss of $4,155,512 that will be amortized as an adjustment of interest expense over the remaining 17.88 years of the new Certificates.

The Department of Corrections issued $33,000,000 of Refunding Certificates of Participation, Series 2010 to partially defease $30,400,970 of its Certificates of Participation, Series 2006B. The defeased Certificates had an interest rate of 5.02 percent, and the new Certificates had an interest rate of 2.95 percent. The remaining term of the Certificates was changed from 10.7 to 7.7 years, and the estimated debt service cash flows decreased by $70,133. The defeasance resulted in an economic gain of $536,392 and a book loss of $1,538,727 that will be amortized as an adjustment of interest expense over the remaining 7.7 years of the new Certificates.

The Board of Regents of the University of Colorado issued $24,510,000 of its Enterprise System Refunding and Improvement Revenue Bonds, Series 2009C to fully defease $24,945,000 of its Enterprise System Refunding and Improvement Revenue Bonds, Series 1997, and partially defease its Enterprise System Revenue Refunding Bonds, Series 2001A and Enterprise System Revenue Bonds, Series 2002A. The defeased debt had interest rates ranging from 4.75 to 5.38 percent, and the new debt had interest rates ranging from 2.0 to 5.0 percent. The remaining term of the debt remained unchanged at 16 years, and the estimated debt service cash flows decreased by $1,678,214. The defeasance resulted in an economic gain of $1,422,312 and a book loss of $2,097,806 that will be amortized as an adjustment of interest expense over the remaining 16 years of the new debt.

The State of Colorado, acting by and through the Board of Regents of the University of Colorado, issued $23,110,000 of

State of Colorado Refunding Certificates of Participation, Series 2009 (University of Colorado Denver Health Sciences Center Fitzsimons Academic Projects) to partially defease $18,525,000 of State of Colorado, Series 2005 Certificates of Participation (University of Colorado Health Sciences Center Project). The defeased Certificates had an average interest rate of 4.64 percent, and the new Certificates had an average interest rate of 3.58 percent. The term of the new Certificates decreased from 16 years to 14 years, and the estimated debt service cash flows decreased by $575,749. The defeasance resulted in an economic gain of $236,518 and a book loss of $5,180,311 that will be amortized as an adjustment of interest expense over the remaining 14 years of the new Certificates.

The Board of Trustees of Mesa State College issued $31,665,000 of its Mesa State College Auxiliary Facilities System Enterprise Revenue Refunding Bonds, Series 2009A to fully defease $28,445,000 of its Mesa State College Auxiliary Facilities System Enterprise Revenue Bonds, Series 2008. The defeased debt had an interest rate of 5.97 percent, and the new debt had an interest rate of 3.95 percent. The remaining term of the debt was reduced from 29 years to 24 years, and the estimated debt service cash flows decreased by $8,497,514. The defeasance resulted in an economic gain of $2,351,320 and a book loss of $5,276,943 that will be amortized as an adjustment of interest expense over the remaining 24 years of the new debt.

The Board of Trustees of the Colorado School of Mines issued $16,745,000 of its Institutional Enterprise Refunding Bonds, Series 2009C to current refund $14,400,000 of its Variable Rate Demand Enterprise Improvement Revenue Bonds, Series 2008B. The defeased debt had variable interest rates, and the new debt had interest rates ranging from 3 to 4.63 percent. The remaining term of the debt was reduced from 29 years to 23 years, and the estimated debt service cash flows decreased by $2,959,719. The defeasance resulted in an economic loss of $1,148,080 and a book gain of $117,727 that will be amortized as an adjustment of interest expense over the remaining 23 years of the new debt.

The Board of Trustees of Adams State College issued $10,285,000 of its Auxiliary Facilities Revenue Bonds, Series 2009B to fully defease $9,380,000 of its Auxiliary Facilities Enterprise Refunding and Improvement Bonds, Series 2004A. The defeased debt had an interest rate of 4.45 percent, and the new debt had an interest rate of 3.79 percent. The remaining term of the debt was increased from 15 years to 20 years, and the estimated debt service cash flows increased by $1,194,234. The defeasance resulted in an economic loss of $384,515 and a book loss of $1,006,140 that will be amortized as an adjustment of interest expense over 9 years.

NOTE 27 – POLLUTION REMEDIATION OBLIGATIONS

Primary Government

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*, or the fund-level *Balance Sheet*, as required.

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, 2010 was $125.1 million ($5.2 million of which was a current liability). Superfund sites account for approximately $121.8 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 $54.0 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 over the next three to four years, 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, 2010, 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 $49.9 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 2012. Current operating and maintenance costs are borne 100 percent by the State. Beginning in 2015, 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 $5.8 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.

NOTE 28 – DERIVATIVE INSTRUMENTS

Primary Government

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. This agreement qualifies as a hedging derivative instrument per GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments, which the State implemented during Fiscal Year 2009-10. 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 Outflow of Resources of $7.8 million as of June 30, 2010.

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 a notional amount of $43.2 million and a market value of ($7.8) million at June 30, 2010, 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 0.23 percent at June 30, 2010. Cash flows between the parties are settled on the net difference. Market value as of June 30, 2010 was 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. As of September 2, 2010, Morgan Stanley received a credit rating of A2 from Moody's and A from Standard & Poors. The School's risk of loss associated with the outstanding Swap Agreement is equal to the Agreement's positive fair market value at June 30, 2010. However, the School was not exposed to credit risk because the Agreement had a negative fair market value at June 30, 2010. In addition, the Swap Agreement required no collateral and no initial net cash receipt or payment by the School.
- 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 30 – DETAILS OF NET ASSETS AND FUND EQUITY

NOTE 29 – PRIOR PERIOD ADJUSTMENTS AND ACCOUNTING CHANGES

The beginning net assets of the Governmental Activities on the government-wide *Statement of Activities* decreased by $1,043,358,720 due to the following adjustments:

- A decrease of $600,696,527 when the Department of Transportation changed from the modified approach to the depreciation approach for roadway infrastructure. Beginning in Fiscal Year 2009-10, the department reported that available resources were no longer adequate to maintain the State's roadways at the established condition level as required by the modified approach. In the process of identifying the roadway infrastructure amounts to be depreciated, the department determined that a portion of the roadways recorded in Fiscal Year 2001-02 at the implementation of GASB Statement No. 34 were valued incorrectly. This adjustment has been recorded to correctly state the beginning balance of the roadways.

- A decrease of $448,735,322 to reflect a change in accounting principle related to the change from the modified approach to the depreciation approach for roadway infrastructure. In the process of identifying the roadway infrastructure amounts to be depreciated, the department determined that the most recent construction on some roadways was before the State's maximum infrastructure depreciation period, and therefore, those roadways should not be included in amounts to be depreciated. This adjustment has been recorded to correctly state the beginning balance of the roadways.

- An increase of $16,696,077 as a result of the Department of Transportation correcting errors related to software costs incurred in prior years that were inappropriately expensed rather than capitalized and depreciated.

- Decreases of $7,475,191 and $11,192 for the Unemployment Revenue Fund and the Employee Leasing Company Certification Fund, respectively, both of which were previously reported as Special Revenue funds. The decreases are the result of the Department of Labor and Employment converting the funds to TABOR enterprises as required by statute. These changes also decreased the beginning fund balance of the Other Special Revenue Funds on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.*

- A decrease of $4,014,613 due to the Department of Health Care Policy and Financing reducing federal receivables accrued in Fiscal Year 2008-09 at an incorrect federal reimbursement rate related to certain Medicaid payments. This error also decreased the beginning fund balance of the General Fund on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund.*

- An increase of $778,085 in the Medicaid Nursing Facilities Cash Fund, a portion of the nonmajor Environment and Health Protection Special Revenue Fund. The increase was related to the Department of Health Care Policy and Financing's failure to record Fiscal Year 2008-09 revenue in that period. This error also increased the beginning fund balance of the Other Special Revenue Funds on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.*

- An increase of $99,963 when legislation moved the Health Care Provider Loan Repayment Fund, which was previously reported as part of the CollegeInvest Enterprise Fund, to the Department of Public Health and Environment as part of the Environment and Health Protection Fund, a nonmajor Special Revenue Fund. This change also increased the beginning fund balance of the Other Special Revenue Funds on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.*

The beginning net assets of the Business-Type Activities on the government-wide *Statement of Activities* increased by $35,548,863 due to the following adjustments:

- An increase of $25,913,867 in the Wildlife Cash Fund, a portion of the nonmajor Wildlife Enterprise Fund. The increase was related to the Department of Natural Resources' failure to record the value of donated land and easements received in prior fiscal years. The correction of this error also increased the beginning fund balance of the Other Enterprise Funds on the fund-level *Statement of Net Assets – Proprietary Funds.*

- Increases of $7,475,191 and $11,192 for the Unemployment Revenue Fund and the Employee Leasing Company Certification Fund, respectively, which became Enterprise Funds, and were previously reported as Special Revenue funds. The increases are the result of the Department of Labor and Employment converting the funds to TABOR enterprises as required by statute. These changes also increased the beginning fund balance of the Unemployment Insurance Fund on the fund-level *Statement of Net Assets – Proprietary Funds.* This reclassification also increased beginning cash of the Unemployment Fund on the *Statement of Cash Flows – Proprietary Funds.*

- A decrease of $99,963 related to the Health Care Provider Loan Repayment Fund being moved by General Assembly from the CollegeInvest Fund, a major Enterprise Fund, to the Environment and Health Protection Fund, a nonmajor Special Revenue Fund. This change also decreased the beginning balance of the CollegeInvest Fund on the fund-level *Statement of Net Assets – Proprietary Funds.*

- An increase of $2,248,576 related to Pueblo Community College, a portion of the Higher Education Institutions, acquiring the net assets of San Juan Basin Technical College. This addition also increased the beginning balance of the Higher Education Institutions on the fund-level *Statement of Net Assets – Proprietary Funds.* This acquisition of net assets also increased beginning cash of the Higher Education Institutions on the *Statement of Cash Flows – Proprietary Funds* in the amount of $417,325.

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

In Fiscal Year 2008-09, the Unclaimed Property Fund, which previously had been reported as a trust fund, was reported as a nonmajor Special Revenue Fund because the State did not have a system for determining the portion of the net assets that would ultimately be available to the government. In Fiscal Year 2009-10, the State developed a system to estimate the amount expected to be paid to claimants and thereby the amount available to the government. To reflect that determination, a portion of the Fiscal Year 2008-09 Unclaimed Property Special Revenue Fund was moved to the Unclaimed Property Private Purpose Trust Fund and a portion was moved to the State Lands Trust Fund, a nonmajor Permanent Fund.

The beginning balance of the Unclaimed Property Fund, a nonmajor Special Revenue Fund, decreased by $36,331,983 due to the reclassification of unclaimed property activity from the Unclaimed Property Fund to assets held in trust for claimants in the Unclaimed Property Trust Fund, a nonmajor Private Purpose Trust Fund in the amount of $30,605,232. An additional $5,726,751 of net assets was moved from the Unclaimed Property Fund to the State Lands Trust Fund, a nonmajor Permanent Fund.

Additional changes reported on the *Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds* are as follows:

The beginning fund balance of the General Government Computer Center Fund, a nonmajor Internal Service Fund, decreased by $65,039 to correct errors in converting a portion of the Office of Information Technology from a governmental activity to an internal service activity. The accounts involved were compensated absence liabilities and equipment which were previously shown only on the Government-Wide Statements. The beginning fund balance of the Telecommunications Fund, a nonmajor Internal Service Fund, decreased by $32,392,020 when it was determined that Digital Trunk Radio assets moved into the Internal Service Fund in Fiscal Year 2008-09 should only be shown on the government-wide statements.

The beginning net assets of the fund-level *Statement of Revenues, Expenses, and Changes in Fiduciary Net Assets – Fiduciary Funds* decreased by $310,216,510 due to the reclassification of unclaimed property activity and the transfer of the State's Deferred Compensation Plan and Defined Contribution Plan to the Public Employees' Retirement Association (PERA), as described below.

The beginning net assets of the Deferred Compensation Plan, a nonmajor Employee Benefit Trust Fund, decreased by $352,795,356 when the General Assembly transferred the State's Deferred Compensation Plan to the Public Employees' Retirement Association (PERA), effective July 1, 2009. The beginning net assets of the Defined Contribution Plan, a nonmajor Employee Benefit Trust Fund, decreased by $18,648,662 when the General Assembly transferred the State's Defined Contribution Plan to the Public Employees' Retirement Association (PERA), effective July 1, 2009. In both instances, the transfer of net assets was between fiduciaries, and no distributions were made to plan participants. The beginning net assets of the Group Benefits Plan decreased by $9,847 when the compensated absence liabilities related to administrative staff of the Deferred Compensation and Defined Contribution Plans were redirected to the Group Benefits Plan.

As previously discussed, unclaimed property activity was reclassified from a Special Revenue Fund to a Private Purpose Trust Fund. As a result, the beginning balance of the Unclaimed Property Trust Fund, a nonmajor Private Purpose Trust Fund, increased by $61,237,355 of cash moved from the Unclaimed Property Fund, a nonmajor Special Revenue Fund, and represents the full amount of the estimate of claims payable at the beginning of Fiscal Year 2009-10. The estimate of claims payable comprises $30,632,123 previously reported as current liabilities in the Unclaimed Property Fund and $30,605,232 of long-term liabilities previously reported only on the Government-Wide *Statement of Net Assets.* Neither the current nor the long-term portion of the liability is shown in the Unclaimed Property Trust Fund because the assets are reported as Net Assets Held in Trust for Individuals, Organizations, and Other Entities. The beginning net assets on the government-wide statements were not affected because the increase related to the removal of the long-term liability was offset by an equivalent decrease related to the movement of cash from the governmental activities to the fiduciary activities, which are not reported on the *Statement of Activities.*

The beginning balance of the Other Enterprise Funds on the *Statement of Cash Flows – Proprietary Funds* shows an increase to beginning cash of $25,292,806 that comprises the increase discussed above for the Wildlife Cash Fund, a nonmajor fund, in the amount of $25,913,867, as well as a decrease in the State Nursing Homes Fund, a nonmajor fund, in the amount of $621,061. The State Nursing Home Fund reduction decreased cash to correct a prior year misclassification of investments as cash. This decrease did not affect net assets or any other financial statements.

NOTE 30 – FUND EQUITY

On the *Balance Sheet – Governmental Funds*, the Capital Projects Fund $325.5 million Reserve for Statutory Purposes includes Certificate of Participation unexpended proceed balances for the Departments of Corrections, the State Historical Society, and the Judicial Branch, and other minor funds that are allowed to retain fund balances in the Capital Projects Fund. The $91.7 million Reserve for Encumbrances represents construction commitments related to projects appropriated by the Legislature in the State's capital construction fund. Those appropriations are multi-year budgets (see Note RSI-1B) that are funded by various sources including general-purpose revenue, cash earnings by State agencies, and federal revenue. In most instances, the cash and federally funded resources that will support these appropriations have not yet been earned in the Capital Projects Fund. In years when the general-purpose revenue transferred into the fund is low, the unreserved undesignated fund balance is reported as a deficit because of the unearned cash sources related to the encumbrances.

NOTE 31 – INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at June 30, 2010, were:

SELLER'S / LENDER'S RECEIVABLE	General Fund	Highway Users Tax	Capital Projects	State Education Fund
MAJOR FUNDS:				
General Fund	$ -	$ 442	$ -	$ 169
Public School	-	-	-	-
Highway Users	212	-	2	-
Capital Projects	-	-	-	-
State Education	18	-	-	-
Higher Education Institutions	2,811	94	5	61
Unemployment Insurance	-	-	-	-
NONMAJOR FUNDS:				
SPECIAL REVENUE FUNDS:				
Water Projects	193	-	121	-
Labor	220	-	-	-
Gaming	7	-	-	-
Tobacco Impact Mitigation	5	-	-	-
Resource Extraction	1	-	-	-
Resource Management	-	50	-	-
Environment and Health Protection	4,240	41	-	-
Public School Capital Construction	-	-	-	-
Other Special Revenue	540	-	-	-
PERMANENT FUNDS:				
State Lands Trust Expendable	-	-	-	-
ENTERPRISE FUNDS:				
Wildlife	-	-	-	-
Correctional Industries	6	1	105	-
Nursing Homes	2,107	-	-	-
INTERNAL SERVICE FUNDS:				
Central Services	12	4	-	-
General Government Computer Center	-	474	-	-
Capitol Complex	-	10	-	-
Public Safety	-	-	-	-
FIDUCIARY FUNDS:				
Group Benefit Plans	18,085	-	-	-
College Savings Plan	-	-	-	-
Other Fiduciary	-	-	-	-
TOTAL	$ 28,457	$ 1,116	$ 233	$ 230

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

The Group Benefits Plan Fund receivable of $18.1 million from the General Fund primarily represents the health insurance benefits premium portion of payroll for services provided in the fiscal year that is required by statute to be paid in the next fiscal year.

The General Fund receivable of $24.1 million from All Other Funds contains a $16.2 million receivable from the Limited Gaming Fund. The balance of the Limited Gaming Fund is distributed by the State Treasurer in accordance with statute at the end of the fiscal year.

(Amounts in Thousands)

BUYER'S / BORROWER'S PAYABLE

Higher Education Institutions	CollegeInvest	State Lottery	All Other Funds	Total
$ 376	$ 94	$ -	$ 24,106	$ 25,187
-	-	-	6,032	6,032
-	-	-	-	214
7,973	-	-	-	7,973
-	-	-	-	18
-	-	-	4,632	7,603
-	-	-	270	270
-	-	-	1,247	1,561
-	-	-	-	220
-	-	-	-	7
-	-	-	-	5
-	-	-	167,331	167,332
-	-	3,024	26	3,100
13	-	-	280	4,574
-	-	89	3,835	3,924
-	-	12,102	16,221	28,863
-	-	-	5,871	5,871
-	-	-	34	34
1,855	-	-	6	1,973
-	-	-	58	2,165
7	-	-	-	23
-	-	-	3	477
-	-	-	-	10
-	-	-	1	1
1,788	-	-	-	19,873
-	5,586	-	-	5,586
-	-	15,039	-	15,039
$ 12,012	$ 5,680	$ 30,254	$ 229,953	$ 307,935

The Resource Extraction Fund receivable of $167.3 million from All Other Funds was recorded by the Severance Tax Trust Fund. The Water Projects Fund, a nonmajor Special Revenue Fund, has statutory authority to make loans to local governments and special districts using the assets of the Severance Tax Trust Fund, a portion of the nonmajor Resource Extraction Fund. The loans have terms ranging from 10 to 30 years. However, the borrowing from the Severance Tax Trust Fund is on a revolving basis and will remain in place unless the statutory authority is changed.

The Other Special Revenue Fund receivable of $16.2 million from All Other Funds is primarily related to a $14.2 million receivable that the Travel and Tourism Promotion Fund has from the Limited Gaming Fund.

The Other Special Revenue Fund receivable of $12.1 million from the State Lottery was recorded by the Conservation Trust Fund and the Other Fiduciary Fund receivable of $15.0 million from the State Lottery was recorded by the State Treasurer for the Great Outdoors Colorado Fund. Both of these are statutory distributions of the Lottery net profits.

NOTE 32 – TRANSFERS BETWEEN FUNDS

Primary Government

Transfers between funds for the fiscal year ended June 30, 2010, were as follows:

TRANSFER-OUT FUND	General Fund	State Public School	Highway Users Tax
MAJOR FUNDS:			
General Fund	$ -	$ 3,076,278	$ -
Public School	1,942	-	-
Highway Users	53,396	-	-
Capital Projects	41,957	-	46
State Education	124	-	-
Higher Education Institutions	8,980	-	-
CollegeInvest	44,843	-	-
Lottery	529	-	-
NONMAJOR FUNDS			
SPECIAL REVENUE FUNDS:			
Water Projects	1,378	-	-
Labor	55,039	-	-
Gaming	17,257	-	-
Tobacco Impact Mitigation	259,363	-	-
Resource Extraction	170,909	56,628	-
Resource Management	22,009	-	-
Environment and Health Protection	304,425	-	-
Public School Buildings	17	-	-
Unclaimed Property	31,711	-	-
Other Special Revenue	101,572	-	-
PERMANENT FUNDS:			
State Lands Trust Expendable	33	54,393	-
State Lands Trust Nonexpendable	-	-	-
Other Permanent Trust Nonexpendable	-	-	-
ENTERPRISE FUNDS:			
Wildlife	4,887	-	-
College Assist	85	-	-
Correctional Industries	-	-	-
Nursing Homes	896	-	-
Prison Canteens	419	-	-
Petroleum Storage	781	-	-
Other Enterprise	2,346	-	302
INTERNAL SERVICE FUNDS:			
Central Services	1,399	-	-
General Government Computer Center	391	-	-
Telecommunications	551	-	-
Capitol Complex	740	-	-
Administrative Hearings	327	-	-
Debt Collection	164	-	-
Other Internal Service	5	-	-
FIDUCIARY FUNDS:			
Group Benefit Plans	300	-	-
Other Fiduciary	106	-	-
TOTAL	$ 1,128,881	$ 3,187,299	$ 348

(Amounts in Thousands)

TRANSFER-IN FUND

Capital Projects	Higher Education Institutions	CollegeInvest	All Other Funds	TOTAL
$ 169	$ 124,505	$ 162	$ 493,258	$ 3,694,372
-	-	-	39,667	41,609
2,647	-	-	179,537	235,580
-	8,685	-	16,633	67,321
-	5,396	-	1,478	6,998
8	-	-	576	9,564
-	-	-	-	44,843
-	-	-	56,559	57,088
-	-	-	329	1,707
1,790	-	-	-	56,829
2,641	-	-	16,112	36,010
8,000	17,150	-	62,114	346,627
188	17,355	-	41,589	286,669
2,081	-	-	75	24,165
-	-	-	41,400	345,825
-	-	-	3,535	3,552
-	-	-	-	31,711
10,044	594	-	932	113,142
-	102	-	34,971	89,499
-	686	-	6,282	6,968
-	-	-	17	17
-	-	-	296	5,183
-	-	-	-	85
355	-	-	-	355
-	-	-	-	896
1	-	-	-	420
-	-	-	-	781
-	-	-	-	2,648
-	-	-	1,217	2,616
-	-	-	-	391
-	-	-	-	551
-	-	-	315	1,055
-	-	-	-	327
-	-	-	-	164
-	-	-	-	5
-	-	-	-	300
-	-	-	-	106
$ 27,924	$ 174,473	$ 162	$ 996,892	$ 5,515,979

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

On July 1, 2009, the State transferred $458.1 million from the General Fund to various cash funds as required by Senate Bill 09-279 as follows:

- $109.7 million to the Severance Tax Fund
- $84.6 million to the Tobacco Litigation Settlement Fund
- $75.0 million to the Base Account of the Severance Tax Trust Fund
- $68.3 million to the Unclaimed Property Fund
- $60.0 million to the Water Conservation Construction Fund
- $25.0 million to the Employment Support Fund
- $21.3 million to the Operational Account of the Severance Tax Trust Fund
- $14.2 million to the Mineral Leasing Fund

In response to continuing fiscal stress caused by revenue shortfalls, the Governor and the Legislature authorized significant nonroutine transfers totaling $418.4 million from various funds to augment the General Fund, including:

From various nonmajor Special Revenue funds –

- $68.0 million from the Tobacco Litigation Settlement Fund
- $64.0 million from the Base Account of the Severance Tax Trust Fund
- $50.3 million from the Severance Tax Fund
- $41.7 million from the Capital Construction Fund
- $26.5 million from the Major Medical Fund
- $25.0 million from the Unclaimed Property Fund
- $22.6 million from the Mineral Leasing Fund
- $15.0 million from the Colorado High Cost Administration Fund
- $14.3 million from the Local Government Permanent Fund
- $11.0 million from the Operational Account of the Severance Tax Trust Fund
- $5.1 million from the Fitzsimmons Trust Fund
- $5.0 million from the Unclaimed Property Tourism Trust Fund
- $24.7 million from 22 other nonmajor Special Revenue funds, where individual transfer amounts did not exceed $4.0 million

From Internal Service funds –

- $0.4 million from Fleet Management

From Enterprise funds –

- $44.8 million from the Achievement Scholarship Trust Fund, a portion of the CollegeInvest Enterprise Fund

In addition to the augmenting General Fund transfers, other individually significant routine transfers include the following:

The Highway Users Tax Fund transfer-out to the General Fund includes $37.5 million transferred to the Department of Revenue and $7.3 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 All Other Funds primarily comprises $45.2 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 Fund includes $24.8 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 Fund and All Other Funds includes $155.6 million and $58.4 million, respectively, in transfers to the Department of Health Care Policy and Financing for the purchase of medical services.

The Resource Extraction transfer-out to the State Public School Fund includes a $56.6 million transfer from the Mineral Leasing Fund.

The Environment and Health Protection transfer-out to the General Fund includes $293.5 million in transfers to the Department of Health Care Policy and Financing primarily from the Hospital Provider Fee Cash Fund ($256.6 million), the Medicaid Nursing Facility Cash Fund ($18.4 million), and the Health Care Services Fund ($10.4 million).

Transfers from the Other Special Revenue to the General Fund funds also include approximately $65.0 million of legislatively mandated transfers to fund programs in agencies that operate primarily in the General Fund that are in addition to appropriated indirect cost transfers.

The State Lands Trust Expendable transfer-out to the State Public School Fund of $54.4 million is related to distributions to school districts and charter schools.

NOTE 33 – UNUSUAL OR INFREQUENT TRANSACTIONS

Primary Government

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

Due to changes in federal law regarding guarantees of student loans, House Bill 10-1428 repealed the authority of the Colorado Student Obligation Bond Authority (CollegeInvest) in the Department of Higher Education, to originate, disburse, service, or administer any new student loans guaranteed by the federal government. CollegeInvest's $1.45 billion loan portfolio and accrued interest receivable was sold during May, 2010 for a total of $1.39 billion. The loss on disposal of the loan portfolio and other capitalized costs totaled $79.6 million. CollegeInvest paid off $1.70 billion in bonds previously issued to purchase or disburse the student loans. CollegeInvest's remaining loan portfolio was sold to the federal government as part of a participation agreement that previously provided cash to CollegeInvest (see Note 40). The event was considered an extraordinary item because it was both infrequent in occurrence and unusual in nature.

NOTE 34 – DONOR RESTRICTED ENDOWMENTS

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

The University of Colorado reported net appreciation on endowment investments of $6.2 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 $11,120 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 $651,451 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 $302,846 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 35 – 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 2009-10, 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 15.2 percent of the total revenue stream, and $1.14 billion 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 highest 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 $572.7 million. Individually significant Higher Education Institution pledges include:

- $264.5 million pledged by the University of Colorado to secure $70.6 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 51.3 percent of the revenue stream, and $1.76 billion of the pledge remains outstanding.

- $170.9 million pledged by Colorado State University to secure $22.7 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 2038-39. The pledged revenue represents 100 percent of the total revenue stream, and $626.7 million of the pledge remains outstanding.

- $30.2 million pledged by the Colorado School of Mines to secure $7.4 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 2007-08 and has a final maturity date of Fiscal Year 2037-38. The pledged revenue represents approximately 84 percent of the total revenue stream, and $282.7 million of the pledge remains outstanding.

- $19.4 million pledged by Metropolitan State College of Denver to secure $1.6 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 $135.0 million of the pledge remains outstanding.

- $15.2 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 $96.2 million of the pledge remains outstanding.

- $13.3 million pledged by Mesa State College to secure $5.0 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 52.5 percent of the total revenue stream, and $295.6 million of the pledge remains outstanding.

- $11.4 million pledged by the University of Northern Colorado to secure $8.6 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 28.5 percent of the total auxiliary revenue streams; $245.0 million of the pledge 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	$ 1,104,185	$ 936,194	$ 167,991	$ 113,300	$ 54,691	$ 167,991
Higher Education Institutions	947,626	477,126	470,499	46,650	85,723	132,373
	$ 2,051,811	$ 1,413,320	$ 638,490	$ 159,950	$ 140,414	$ 300,364

NOTE 36 – SEGMENT INFORMATION

Primary Government

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

Before Fiscal Year 2009-10, CollegeInvest issued revenue bonds to originate and purchase student loans; however, during the fiscal year this activity was discontinued by legislative action. The authority also operates a prepaid tuition program designed to keep pace with average tuition inflation in Colorado. Condensed financial information for CollegeInvest is not presented on the following page because it is a major Enterprise Fund, and full financial statements are included in the Basic Financial Statements.

Other Enterprise Funds' Segments:

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

Higher Education Institutions' Segments:

University Physicians Incorporated (UPI) is a not-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.

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

CONDENSED STATEMENT OF NET ASSETS
JUNE 30, 2010

		UNIVERSITY OF COLORADO	AURARIA HIGHER EDUCATION CENTER	
(DOLLARS IN THOUSANDS)	STATE FAIR AUTHORITY	UNIVERSITY PHYSICIANS INCORPORATED	PARKING FACILITIES	STUDENT FACILITIES
ASSETS:				
Current Assets	$ 1,354	$ 108,530	$ 6,624	$ 9,364
Other Assets	-	96,255	8,214	970
Capital Assets	12,134	36,567	36,817	32,854
Total Assets	13,488	241,352	51,655	43,188
LIABILITIES:				
Current Liabilities	939	25,384	2,281	4,008
Noncurrent Liabilities	124	17,628	32,640	29,831
Total Liabilities	1,063	43,012	34,921	33,839
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	12,134	18,266	4,177	2,053
Restricted for Permanent Endowments:				
Expendable	-	-	6,247	926
Unrestricted	291	180,074	6,310	6,370
Total Net Assets	$ 12,425	$ 198,340	$ 16,734	$ 9,349

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	STATE FAIR AUTHORITY	UNIVERSITY PHYSICIANS INCORPORATED	PARKING FACILITIES	STUDENT FACILITIES
OPERATING REVENUES :				
Tuition and Fees	$ -	$ -	$ -	$ 5,905
Sales of Goods and Services	7,218	369,390	8,992	22,935
Other	531	-	-	59
Total Operating Revenues	7,749	369,390	8,992	28,899
OPERATING EXPENSES:				
Depreciation	419	896	1,774	2,058
Other	9,006	351,725	4,965	22,836
Total Operating Expenses	9,425	352,621	6,739	24,894
OPERATING INCOME (LOSS)	(1,676)	16,769	2,253	4,005
NONOPERATING REVENUES AND (EXPENSES):				
Investment Income	876	9,731	502	469
Gifts and Donations	446	-	-	-
Other Nonoperating Revenues	1	1,533	-	227
Insurance Recoveries from Prior Year Impariments	10	-	-	-
Debt Service	-	(34)	(1,843)	(1,357)
Other Nonoperating Expenses	-	(2,598)	-	(22)
Total Nonoperating Revenues(Expenses)	1,333	8,632	(1,341)	(683)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions and Additions to Endowments	771	-	-	-
Transfers-Out	(132)	-	-	(3,021)
Total Contributions, Transfers, and Other	639	-	-	(3,021)
CHANGE IN NET ASSETS	296	25,401	912	301
TOTAL NET ASSETS - FISCAL YEAR BEGINNING (Restated)	12,129	172,939	15,822	9,048
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 12,425	$ 198,340	$ 16,734	$ 9,349

CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	STATE FAIR AUTHORITY	UNIVERSITY PHYSICIANS INCORPORATED	PARKING FACILITIES	STUDENT FACILITIES
NET CASH PROVIDED (USED) BY:				
Operating Activities	$ (432)	$ 14,054	$ 4,364	$ 3,091
Noncapital Financing Activities	(132)	(2,598)	-	(2,943)
Capital and Related Financing Activities	(476)	(28,650)	(2,904)	(3,105)
Investing Activities	876	3,704	158	198
NET INCREASE (DECR.) IN CASH AND POOLED CASH	(164)	(13,490)	1,618	(2,759)
CASH AND POOLED CASH, FISCAL YEAR BEGINNING	1,363	46,165	4,954	8,301
CASH AND POOLED CASH, FISCAL YEAR ENDING	$ 1,199	$ 32,675	$ 6,572	$ 5,542

NOTE 37 – COMPONENT UNITS

The State reports twelve 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. All of the component units and foundations are considered major, except the Denver Metropolitan Major League Baseball Stadium District, CoverColorado, the Venture Capital Authority, the Renewable Energy Authority, the Higher Education Competitive Research Authority, and the Statewide Internet Portal Authority. Financial statements for the major component units are presented in the Basic Financial Statements.

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(a) 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 federal capitalization grants. The authority paid the State $7.5 million during 2009 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 2009-10, 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, 2010, the foundation distributed $70.7 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 2009-10, the foundation transferred $32.2 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 contributions and investment income. During Fiscal Year 2009-10, 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.

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 1, 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 1, LP thru June 2015 (unless otherwise terminated) for investment in businesses meeting criteria established by the authority, specifically including businesses in the life sciences, information technology, agritechnology and medical device industries, and retail. As of December 31, 2009, the VCA has contributed approximately $16.8 million or 77 percent of its total funding commitment to Colorado Fund 1, LP. See Note 40 for additional information on a subsequent event involving the VCA.

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. The authority has provided a total of $2.4 million in matching funds to the research centers as of December 31, 2009. 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 2009-10 through an appropriation to the Department of Higher Education. As of June 30, 2010, the authority has made commitments to provide matching funds for nine research proposals, four of which, totaling $6.8 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. For the Fiscal Year ended June 30, 2010, the authority recognized $1.1 million in fee revenue.

NOTE 38 – RELATED PARTIES AND ORGANIZATIONS

Primary Government

The Colorado State University - Pueblo Foundation was established to benefit the Colorado State University - Pueblo. The foundation transferred $1.1 million to the university during Fiscal Year 2009-10, owed the university $872,505, and was due $100,168 from the university at June 30, 2010.

The Adams State College Foundation provides scholarships and work-study grants to students, as well as providing program development grants to Adams State College. The foundation provided $791,936 in scholarships and grants during Fiscal Year 2009-10.

The Mesa State College Foundation provides financial assistance to Mesa State College students and assists the college in serving educational needs. In Fiscal Year 2009-10, the foundation awarded $146,273 of scholarships directly to Mesa State College students, provided approximately $4.4 million in property and capital. The college has a lease-purchase agreement with the foundation for the acquisition of property. The remaining term of the lease is 9 years and it requires payment of interest at 3 percent; the college owed the foundation $2.4 million under this agreement at June 30, 2010.

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 $2.0 million of funding to the college in Fiscal Year 2009-10. The foundation also reimbursed the college $201,355 for services provided by college employees in Fiscal Year 2009-10. At June 30, 2010, the foundation owed the college $252,335.

Western State College Foundation was established to aid Western State College in fulfilling its educational mission. The foundation transferred $2.0 million to the college in Fiscal Year 2009-10.

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 support to Pueblo Community College in the amount of $518,574 for scholarships, rental properties, construction, and discretionary funds.

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. At June 30, 2010, the LLCs held property for the foundation of $1.7 million and $22.2 million, respectively.

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, 2010, the LLC had capital assets of $13.6 million, other assets of $6.0 million, long-term debt of $23.2 million, and current liabilities of $1.1 million. The total liabilities of the foundation exceeded its total assets by $3.7 million. The LLC owed the University of Northern Colorado $465,147 for a working capital loan at June 30, 2010.

The Auraria Foundation was established to receive gifts, legacies, and grants of money and property for the purpose of benefiting the Auraria Higher Education Center (AHEC). At June 30, 2010, the foundation owed AHEC approximately $1.5 million.

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 2009-10, the board funded $18.9 million of wildlife and parks programs at the Department of Natural Resources. At June 30, 2010, GOCO owed the Department of Natural Resources $9.2 million in unreimbursed expenditures.

Component Units

The University of Colorado Hospital Authority and the University of Colorado Denver (UCD) have developed and received approval for an Institutional Master Plan to create a new academic health sciences center over the next 20 to 50 years 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 $31.7 million for these services in Fiscal Year 2009-10. 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 $2.6 million in Fiscal Year 2009-10. In total, the UCD paid the hospital $10.8 million in Fiscal Year 2009-10.

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 $5.2 million of government external funds and paid UPI an additional $45.9 million for services in Fiscal Year 2009-10.

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 $4.0 million were billed to CRC for the cost of these services during Fiscal Year 2009-10. The amount due from University of Colorado Denver, including CRC, was $0.6 million at June 30, 2010.

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.

In October 2007, the hospital sold 1,656.55 shares for approximately $18.1 million to TriWest, but retains an option to repurchase the shares at the exercise market value through October 2010, unless the option is terminated before that date. This investment is accounted for under the cost method, and the hospital received dividends of approximately $0.6 million in July 2010.

The hospital and two other entities participate in Colorado Access, a Colorado not-for-profit corporation that owns and operates a statewide HMO to provide services to medically underserved Coloradoans. There are no earning distribution agreements between Colorado Access and the hospital. In August 2001 the hospital entered into an agreement to loan Colorado Access $625,000. The principal and interest was 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 a Limited Partnership Agreement with Colorado Fund 1, LP and has selected High Country Venture, LLC, to serve as manager and general partner of the Fund. The partnership agreement allocates income or loss 20 percent to the general partner and 80 percent to the limited partners in accordance with their respective partnership percentages. As of December 31, 2009, VCA's investment in the fund totaled $16.1 million.

NOTE 39 – CONTINGENCIES

Primary Government

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

Numerous court cases are pending in which the plaintiffs allege that the State has deprived persons of their constitutional rights, civil rights, inadequately compensated them for their property, or breached contracts. In the aggregate, the monetary damages (actual, punitive, and attorney's fees) claimed in the constitutional and civil rights cases would exceed the insurance coverage available by a material amount. The property compensation and breach of contract suits are generally limited to the appraised value of the property or the contract amount. In the breach of contract suits, the State often files counterclaims. 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 $11.6 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 approximately $62.4 million.

At June 30, 2010, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately $433.7 million in the names of lottery or lotto prizewinners. The probability is remote that any of the sellers of these contracts will default, and thereby require the State to pay the annuity.

The Colorado Department of Revenue routinely has claims for refunds in various stages of administrative and legal review that could result in refunds up to $15.0 million individually.

Various notes and bonds have been issued by State school districts that may impact the State. Colorado statutes provide that if a district indicates that it will not make the payment to bondholders by the date on which it is due, the

State Treasurer shall forward to the paying agent the amount necessary to make the payment. The State shall then withhold State equalization payments to the defaulting school district for a period up to 12 months to cover the State's loss. Currently, notes or bonds valued at over $8.0 billion are outstanding. Of this amount, $5.23 billion is covered by private insurance.

The State of Kansas will likely seek injunctive relief against Colorado in relation to 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.

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

The Department of Health Care Policy and Financing may be responsible for repaying the Centers for Medicare and Medicaid Services (CMS) $3.3 million for Mental Health Child Placement Agency services. The disallowed costs are due to the department inappropriately claiming federal financial participation for supplemental payments to Prepaid Inpatient Health Plans for mental health services provided to children in Child Placement Agencies. The department's appeal of the amount of disallowed costs was denied, but the department is considering whether to pursue further appeal.

The Department of Health Care Policy and Financing may be responsible for repaying CMS approximately $75.2 million in federal matching funds paid to Rocky Mountain Health Plan HMO (RMHP) for benefits paid to Medicaid clients during Fiscal Years 2005-06 through 2008-09. The payments were made to RMHP without the federally required pre-payment claims review of each claim for which payment was made. 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 10 percent.

School districts, students, and parents in the State's San Luis Valley have filed suit against the State asserting that the current school funding system fails to provide a thorough and uniform system of free public education as required by the State Constitution. The plaintiffs seek to overturn the current funding system and ensure that additional capital facilities funding of $5.7 billion to $17.9 billion 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 is currently scheduled to commence August 1, 2011. 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 39, 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 40 – SUBSEQUENT EVENTS

Primary Government

A. DEBT ISSUANCES AND REFUNDINGS

On August 12, 2010, Colorado State University issued $98,915,000 of Systemwide Enterprise Revenue Bonds Series 2010A-C. The university will use the bond proceeds for the costs of constructing, acquiring, renovating, and equipping school facilities. The coupon rates range from 4.0 percent to 6.06 percent with a final maturity in Fiscal Year 2039-2040.

On October 5, 2010, the Colorado Community College System issued $6,545,000 of Series 2010C Systemwide Revenue Bonds (interest rate of 4 percent and yields ranging from 0.77 percent to 2.03 percent) and $31,455,000 of Series 2010D Taxable Systemwide Revenue Bonds (qualified as Build America Bonds with interest and yield rates ranging from 3.37 percent to 5.50 percent). The proceeds will be used to finance the construction, improvement, and equipping of the Student Learning and Success Building on the Community College of Denver campus and the Learning Resources Center at Pueblo Community College.

On October 28, 2010, the University of Colorado issued a series of fixed rate revenue bonds totaling $96.8 million. $35,510,000 of Taxable University Enterprise Revenue Bonds Series 2010A (Build America Bonds – Direct Payment) were issued at coupon rates ranging from 0.76 percent to 5.60 percent with a final maturity in Fiscal Year 2021-22. $56,905,000 Tax-Exempt University Enterprise Refunding Revenue Bonds Series 2010B were issued at coupon rates ranging from 2.0 percent to

5.0 percent with a final maturity in Fiscal Year 2022-23. $4,375,000 in Taxable University Enterprise Revenue Bonds Series 2010C (Qualified Energy Conservation Bonds – Direct Payment) were issued at coupon rates ranging from 1.16 to 5.6 percent with a final maturity in Fiscal Year 2019-20. The issuances will be used to refinance existing debt, purchase and remodel University property, and make energy conservation improvements.

On October 28, 2010, the Metropolitan State College of Denver Roadrunner Recovery and Reinvestment Finance Authority (see Section B) issued $54.9 million of bonds to finance the College's Hotel and Hospitality Learning Center (HLC). 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 2010A bonds had both serial and term components maturing between Fiscal Year 2019-20 and Fiscal Year 2042-43. The Series 2010B bonds had maturities between Fiscal Years 2015-16 and 2019-20 and interest rates of 3 percent and 4 percent with yields ranging from 1.9 percent to 3.0 percent. The Series 2010C bonds mature in Fiscal Years 2014-15 and 2015-16 and have interest rates ranging from 1.98 percent to 2.33 percent. The College has unconditionally guarateed the debt service on the bond issuance.

On October 28, 2010, the Colorado School of Mines issued $11,195,000 of Series 2010B Institutional Enterprise Revenue Bonds (Taxable Direct Payment Build America Bonds). The proceeds will be used for construction related to a new academic wing of Marquez Hall and provide additional facilities. The interest rates on the bonds range from 6.06 percent to 6.16 percent with a principle repayment of $2.4 million beginning in Fiscal Year 2035-36 and $8.8 million in Fiscal Year 2040-41. The school will receive a 35 percent federal subsidy, resulting in effective interest rates of between 3.94 percent and 4.01 percent.

During November 2010, the Colorado School of Mines issued $42,860,0000 of Variable Rate Demand Institutional Enterprise Revenue Refunding Bonds Series 2010A to refund Series 2008A bonds. The Swap Agreement associated with the Series 2008A bonds (see Note 28) remains in effect on the Series 2010A variable rate bonds. The final payment is December 1, 2013 and the variable rates are based on the London Interbank Offering Rate (LIBOR).

On December 10, 2010, the State Treasurer issued $325,000,000 of Education Loan Program Tax and Revenue Anticipation Notes (ETRAN) Series 2010B. The notes have a coupon rate of 2.0 percent, which will result in approximately $3.6 million of interest due at maturity. However, the notes were issued with a $3.0 million premium resulting in net interest costs of $ 601,361. The notes mature on June 30, 2011.

On December 14, 2010, the State Treasurer issued $500,000,000 of General Fund Tax Revenue Anticipation Notes Series 2010. The notes are due and payable on June 27, 2011, at a coupon rate of 2.0 percent. The total interest related to this issuance will be $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 are issued for cash management purposes.

On December 15, 2010, the Colorado Bridge Enterprise of the Department of Transportation issued $300.0 million of Senior Taxable Build America Series 2010A Revenue Bonds. The bonds were issued at an average coupon rate of 6.08 percent with principal repayment beginning in Fiscal Year 2025-26 and final maturity in Fiscal Year 2040-41. The proceeds of the bonds will be used for design and construction costs related to bridge projects approved by the Bridge Enterprise Board.

On December 16, 2010, the State of Colorado acting by and through the State Treasurer issued a total of $217,530,000 of its State of Colorado Building Excellent Schools Today Certificates of Participation (COPs). The issuance comprises $95,690,000 of Taxable Qualified School Construction Series 2010D Certificates, $119,840,000 of Taxable Build America Series 2010E Certificates, and $2,000,000 of Tax-Exempt Series 2010F Certificates. The Series 2010D COPs mature in Fiscal Year 2027-28 (interest rate of 6.8 percent), the Series 2010E COPs have latest maturity in Fiscal Year 2030-31 (interest rates ranging from 4.5 percent to 7.0 percent), and the Series 2010F COPs mature in Fiscal Year 2011-12 (coupon rate of 2.0 percent and yield rate of 1.0 percent). Combined, the three series result in interest costs of $226,841,643, which is offset by federal direct payments for the Series 2010D and 2010E of $129,120,595.

B. OTHER

On August 17, 2010, the Board of Trustee's at Metropolitan State College of Denver approved the incorporation of a special purpose entity known as HLC@Metro, Inc. The corporation was created for the purpose of acquiring, constructing, and maintaining a hotel, hospitality learning center, conference center, and parking structure that will serve as a fully functioning hotel and a learning laboratory for students of the college.

On September 1, 2010, the Board of Trustee's at Metropolitan State College of Denver formed the Metropolitan State College of Denver Roadrunner Recovery and Reinvestment Finance Authority for the purpose of issuing bonds necessary for the HLC project. Both HLC@Metro, Inc., and the finance authority are component units of the college.

Due to changes in federal law regarding guarantees of student loans, House Bill 10-1428 repealed the authority of the Colorado Student Obligation Bond Authority

(CollegeInvest) in the Department of Higher Education to originate, disburse, serve, or administer any new student loans guaranteed by the federal government (see Note 33). As a result, CollegeInvest sold its loan portfolio and related revenue bonds; CollegeInvest had previously participated approximately $200 million of its loan portfolio with the U.S. Department of Education (USDE) for cash flow purposes. On September 24, 2010, CollegeInvest sold $200.3 million of student loans to the USDE as part of its participation agreement. This amount includes the par amount of the loans, accrued interest, a one percent origination fee previously paid to the USDE, and a fixed amount of $75 per loan.

In January 2010, the State fully expended its balance in the federal Unemployment Insurance Trust Fund and began borrowing from the federal government to continue paying benefits to Colorado workers. The balance due to the federal government was $173.8 million and $368.5 million at June 30 and November 30, 2010, respectively. Projections show that cash outflows for benefits will exceed cash inflows from employer unemployment insurance premiums through March 2015. After recurring payments to reduce the amount due to the federal government, the projected balance reaches its maximum each year in March as follows: $707.4 million, $803.5 million, $745.2 million, $544.6 million, and $170.5 million in 2011, 2012, 2013, 2014, and 2015, respectively. Interest charges begin to accrue in the second year of the borrowing.

Component Units

On July 1, 2010, the University of Colorado Hospital Authority entered into an agreement with University Physician's Inc. (UPI) and the University of Colorado Denver (UCD) to begin a self-insurance trust for the benefit of eligible employees of UCD, UPI, and the hospital. The trust, known as Colorado Health and Welfare Trust, will be managed by a third-party administrator and will provide healthcare coverage and manage the Healthcare Flexible Spending Plans of the three organizations.

In 2010, the Venture Capital Authority established Colorado Fund II, LP with residual proceeds from its 2005 sale of premium tax credits. The authority has committed to providing up to $25.4 million to Colorado Fund II, LP thru May 2015 (unless otherwise terminated) for investment in seed and early-stage businesses meeting criteria established by the authority, specifically including businesses in the life sciences, information technology, agritechnology and medical device industries, and retail.

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, 2010

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 2,071,472	
Income Taxes			4,126,916	
Other Taxes			187,665	
Federal Grants and Contracts			30	
Sales and Services			695	
Interest Earnings			12,988	
Other Revenues			39,509	
Transfers-In			450,134	
TOTAL REVENUES AND TRANSFERS-IN			6,889,409	
EXPENDITURES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 6,861	$ 6,056	5,952	$ 104
Corrections	677,840	565,504	563,618	1,886
Education	3,239,416	3,239,348	3,238,932	416
Governor	14,283	13,863	13,827	36
Health Care Policy and Financing	1,612,335	1,151,517	1,120,304	31,213
Higher Education	660,576	429,084	428,877	207
Human Services	670,558	650,722	647,962	2,760
Judicial Branch	336,358	323,815	323,764	51
Law	10,008	9,226	9,127	99
Legislative Branch	35,163	35,138	32,410	2,728
Local Affairs	12,001	11,024	10,900	124
Military and Veterans Affairs	5,862	5,419	5,263	156
Natural Resources	29,680	26,645	25,892	753
Personnel & Administration	6,296	5,578	5,074	504
Public Health and Environment	28,232	27,076	26,643	433
Public Safety	83,213	82,040	79,546	2,494
Regulatory Agencies	1,667	1,458	1,441	17
Revenue	199,985	181,395	187,837	(6,442)
Treasury	467,541	467,288	467,179	109
SUB-TOTAL OPERATING BUDGETS	8,097,875	7,232,196	7,194,548	37,648
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	-	1,914	644	1,270
Corrections	2,012	29,715	20,688	9,027
Education	-	1,157	880	277
Higher Education	2,061	55,463	33,639	21,824
Human Services	-	11,477	6,432	5,045
Military and Veterans Affairs	109	7,797	3,354	4,443
Personnel & Administration	2,012	12,317	7,199	5,118
Public Health and Environment	-	184	1	183
Public Safety	-	5,226	3,799	1,427
Revenue	10,177	17,108	12,890	4,218
Transportation	546	46	46	-
Budgets/Transfers Not Booked by Department	42,045	42,045	42,045	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	58,962	184,449	131,617	52,832
TOTAL EXPENDITURES AND TRANSFERS-OUT	$ 8,156,837	$ 7,416,645	7,326,165	$ 90,480
EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT			$ (436,756)	

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, 2010

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 719,692	
Income Taxes			328,953	
Other Taxes			777,557	
Tuition and Fees			1,771,130	
Sales and Services			1,634,177	
Interest Earnings			128,964	
Other Revenues			2,891,718	
Transfers-In			6,356,011	
TOTAL REVENUES AND TRANSFERS-IN			14,608,202	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 29,640	$ 29,576	25,461	$ 4,115
Corrections	101,525	103,992	67,391	36,601
Education	4,049,910	3,859,859	3,809,264	50,595
Governor	129,518	141,691	96,026	45,665
Health Care Policy and Financing	1,163,297	1,140,181	1,114,594	25,587
Higher Education	3,055,448	2,891,169	2,644,580	246,589
Human Services	757,985	336,605	303,994	32,611
Judicial Branch	191,949	189,909	179,240	10,669
Labor and Employment	1,189,516	1,189,107	1,176,710	12,397
Law	38,236	40,954	37,634	3,320
Legislative Branch	5,591	5,591	1,357	4,234
Local Affairs	479,007	434,933	304,492	130,441
Military and Veterans Affairs	2,552	2,567	1,986	581
Natural Resources	640,459	629,480	321,666	307,814
Personnel & Administration	460,859	441,942	418,336	23,606
Public Health and Environment	241,928	242,717	199,622	43,095
Public Safety	141,234	142,810	125,982	16,828
Regulatory Agencies	95,477	94,906	88,349	6,557
Revenue	850,315	874,598	709,872	164,726
State	26,701	27,614	16,962	10,652
Transportation	341,781	346,354	74,035	272,319
Treasury	1,884,651	1,885,227	1,718,330	166,897
Budgets/Transfers Not Booked by Department	-	4,660	1,323	3,337
SUB-TOTAL OPERATING BUDGETS	15,877,579	15,056,442	13,437,206	1,619,236
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	-	521	389	132
Corrections	70,842	67,941	63,554	4,387
Education	622	-	-	-
Governor	2,670	6,097	1,224	4,873
Higher Education	215,388	537,453	184,071	353,382
Human Services	4,881	1,461	407	1,054
Judicial Branch	229,301	229,301	27,947	201,354
Labor and Employment	35,641	39,891	33,430	6,461
Military and Veterans Affairs	6,571	6,461	-	6,461
Natural Resources	60,833	101,631	22,745	78,886
Personnel & Administration	1,252	321	322	(1)
Public Health and Environment	250	24,825	1,950	22,875
Public Safety	-	1,218	1,218	-
Revenue	2,329	6,461	3,509	2,952
Transportation	1,760,506	1,755,973	711,367	1,044,606
Treasury	8,878	15,821	15,820	1
Budgets/Transfers Not Booked by Department	16,948	16,948	10,009	6,939
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	2,416,912	2,812,324	1,077,962	1,734,362
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 18,294,491	$ 17,868,766	14,515,168	$ 3,353,598
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 93,034	

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, 2010**

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Federal Grants and Contracts			$ 8,971,021	
TOTAL REVENUES AND TRANSFERS-IN			8,971,021	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	$ 3,990	$ 12,506	6,025	$ 6,481
Corrections	4,646	95,146	92,357	2,789
Education	610,478	1,064,416	628,662	435,754
Governor	32,979	884,250	558,059	326,191
Health Care Policy and Financing	2,174,680	2,589,983	2,532,885	57,098
Higher Education	187,055	1,287,407	1,118,883	168,524
Human Services	730,005	1,760,185	1,488,320	271,865
Judicial Branch	4,430	13,486	6,439	7,047
Labor and Employment	1,052,720	1,904,840	1,582,036	322,804
Law	1,293	2,739	1,461	1,278
Local Affairs	93,375	194,528	80,402	114,126
Military and Veterans Affairs	197,029	28,940	13,441	15,499
Natural Resources	19,191	64,781	37,636	27,145
Personnel & Administration	-	114	101	13
Public Health and Environment	226,234	409,734	265,769	143,965
Public Safety	26,645	76,173	33,205	42,968
Regulatory Agencies	1,350	4,150	1,386	2,764
Revenue	1,482	9,419	4,281	5,138
State	-	2,161	1,586	575
Transportation	355,398	955,267	630,987	324,280
Treasury	-	140,629	139,289	1,340
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	5,722,980	11,500,854	9,223,210	2,277,644
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 5,722,980	$ 11,500,854	9,223,210	$ 2,277,644
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ (252,189)	

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, 2010

(DOLLARS IN THOUSANDS)

	GOVERNMENTAL FUND TYPES					
	GENERAL	PUBLIC SCHOOL	HIGHWAY USERS TAX	CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS
BUDGETARY BASIS:						
Revenues and Transfers-In:						
General	$ 6,878,335	$ -	$ -	$ 11,074	$ -	$ -
Cash	1,127,611	3,194,619	1,655,372	554,700	339,535	3,076,295
Federal	6,021,710	-	630,188	29,576	-	342,207
Sub-Total Revenues and Transfers-In	14,027,656	3,194,619	2,285,560	595,350	339,535	3,418,502
Expenditures/Expenses and Transfers-Out						
General Funded	7,194,716	-	-	131,449	-	-
Cash Funded	1,109,498	3,186,109	1,817,824	285,520	482,298	2,684,247
Federally Funded	6,021,441	-	630,254	21,527	-	344,433
Expenditures/Expenses and Transfers-Out	14,325,655	3,186,109	2,448,078	438,496	482,298	3,028,680
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis	(297,999)	8,510	(162,518)	156,854	(142,763)	389,822
BUDGETARY BASIS ADJUSTMENTS:						
Increase/(Decrease) for Unrealized Gains/Losses	6,915	-	8,090	(2,514)	(1,016)	32,724
Increase for Budgeted Non-GAAP Expenditures	-	-	-	-	-	37,878
Increase/(Decrease) for GAAP Expenditures Not Budgeted	97,078	-	93,157	146,342	-	(112,278)
Increase/(Decrease) for GAAP Revenue Adjustments	(121,628)	-	-	(145,327)	-	(58,917)
Increase/(Decrease) for Non-Budgeted Funds	-	-	-	-	-	-
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis	(315,634)	8,510	(61,271)	155,355	(143,779)	289,229
GAAP BASIS FUND BALANCES/NET ASSETS:						
FUND BALANCE/NET ASSETS, JULY 1	335,433	24,165	1,303,800	229,704	338,365	2,553,646
Prior Period Adjustments (See Note 28)	(4,015)	-	-	-	-	(37,213)
FUND BALANCE/NET ASSETS, JUNE 30	$ 15,784	$ 32,675	$ 1,242,529	$ 385,059	$ 194,586	$ 2,805,662

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

PROPRIETARY FUND TYPES							
HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE	COLLEGEINVEST	STATE LOTTERY	OTHER ENTERPRISE FUNDS	INTERNAL SERVICE	**FIDUCIARY FUND TYPES**	**TOTAL PRIMARY GOVERNMENT**
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,889,409
2,210,075	501,438	2,394	514,115	320,182	129,537	982,329	14,608,202
16,958	1,481,454	15,934	-	432,896	98	-	8,971,021
2,227,033	1,982,892	18,328	514,115	753,078	129,635	982,329	30,468,632
-	-	-	-	-	-	-	7,326,165
2,025,769	1,042,414	127,507	514,001	257,895	122,619	859,467	14,515,168
304,351	1,436,642	-	-	464,464	98	-	9,223,210
2,330,120	2,479,056	127,507	514,001	722,359	122,717	859,467	31,064,543
(103,087)	(496,164)	(109,179)	114	30,719	6,918	122,862	(595,911)
(2,563)	-	6,236	373	1,999	(42)	414,373	464,575
-	-	-	1,732	15,677	1,266	-	56,553
138,773	(20,064)	(79,050)	(655)	(11,354)	(4,764)	11	247,196
-	-	81,573	-	359	-	-	(243,940)
375,380	-	-	-	-	-	-	375,380
408,503	(516,228)	(100,420)	1,564	37,400	3,378	537,246	303,853
3,884,214	392,984	179,338	4,914	418,662	51,091	3,204,750	12,921,066
2,249	7,486	(100)	-	25,914	(32,457)	(310,217)	(348,353)
$ 4,294,966	$ (115,758)	$ 78,818	$ 6,478	$ 481,976	$ 22,012	$ 3,431,779	$ 12,876,566

GENERAL FUND SURPLUS SCHEDULE

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

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

After all legal and GAAP reserves are taken into consideration, the balance of net assets in the General Fund is represented on the *Balance Sheet – Governmental Funds* as "Fund Balances: Unreserved, Reported in: General Fund". When it is positive, the unreserved undesignated fund balance represents cumulative general-purpose and augmenting revenues in excess of expenditures. General-purpose revenues are revenues that are not designated for specific purposes. The following schedule shows the current fiscal year general-purpose revenues and the expenditures, by department, funded from those general-purpose revenues. The excess augmenting revenues shown represent earned revenues that were greater than the related appropriation for specific cash-funded expenditures in the General Fund. These revenues in excess of the related expenditures become part of unreserved undesignated fund balance. *(See Note 8A beginning on page 83 for information regarding the negative reversions at the Departments of Higher Education and Revenue.)*

In order to identify the General Fund Surplus, encumbrances of the prior year are subtracted from the revised budget and the actual expenditure columns because they were considered expended in the prior year. In addition, encumbrances at the end of the current year are considered expenditures and are added to the actual 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, 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. For purpose of budget compliance and the *General Fund Surplus Schedule* those expenditures were deferred into and will be recognized in Fiscal Year 2009-10. They are included in the line titled "GAAP Medicaid Expenditures Deferred to Fiscal Year 2010-11 for Budget".

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN GENERAL FUND SURPLUS
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

(DOLLARS IN THOUSANDS)	ORIGINAL ESTIMATE/ BUDGET	REVISED ESTIMATE/ BUDGET	ACTUAL	REVERSIONS OF GENERAL FUND APPROPRIATION	EXCESS AUGMENTING REVENUE EARNED
REVENUES:					
Sales and Use Tax	$ 2,287,700	$ 2,004,200	$ 1,979,101		
Other Excise Taxes	92,100	91,700	92,372		
Individual Income Tax, net	4,184,200	3,752,100	3,776,847		
Corporate Income Tax, net	320,800	287,800	350,068		
Estate Tax	-	-	184		
Insurance Tax	202,300	186,000	186,922		
Parimutuel, Courts, and Other	38,100	43,500	44,312		
Investment Income	16,000	11,500	10,088		
Gaming	18,800	16,200	16,200		
TOTAL GENERAL PURPOSE REVENUES	7,160,000	6,393,000	6,456,094		
ACTUAL BUDGET RECORDED AND EXPENDITURES:					
Agriculture	6,861	6,056	5,952	$ 104	$ 167
Corrections	679,970	565,603	563,838	1,765	114
Education	3,239,360	3,239,324	3,238,906	418	1,234
Governor	14,283	13,864	13,828	36	7
Health Care Policy and Financing	1,676,228	1,151,502	1,120,334	31,168	895
Higher Education	660,481	428,761	428,784	(23)	382
Human Services	674,489	650,645	647,236	3,409	4,567
Judicial Branch	336,455	323,815	323,764	51	95
Labor and Employment	-	-	-	-	150
Law	10,008	9,226	9,127	99	204
Legislative Branch	35,162	35,137	32,410	2,727	186
Local Affairs	11,890	11,024	10,901	123	569
Military and Veterans Affairs	5,862	5,408	5,252	156	-
Natural Resources	29,680	26,635	25,881	754	130
Personnel & Administration	6,291	5,576	5,072	504	572
Public Health and Environment	28,232	27,076	26,642	434	53
Public Safety	83,213	81,989	79,496	2,493	222
Regulatory Agencies	1,667	1,457	1,441	16	31
Revenue	188,882	173,271	179,731	(6,460)	46
State	-	-	-	-	53
Treasury	10,534	9,229	9,121	108	23
TOTAL ACTUAL BUDGET AND EXPENDITURES	7,699,548	6,765,598	6,727,716	$ 37,882	$ 9,700
Variance Between Actual and Estimated Budgets	(464,648)	(34,260)	-		
TOTAL ESTIMATED BUDGET	7,234,900	6,731,338	6,727,716		
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	(74,900)	(338,338)	(271,622)		
EXCESS AUGMENTING REVENUES			9,700		
TRANSFERS (Not Appropriated By Department):					
Transfers-In From Various Cash Funds	81,800	416,900	418,441		
Transfers-Out To Various Cash Funds	-	(458,058)	(458,058)		
Transfer-In From the Sales and Use Tax Holding Fund	-	3,800	3,800		
Other Net Transfers To/(From) the General Fund	(8,000)	(8,000)	(8,000)		
Transfer-Out to Capital Projects - General Fund	-	(2,000)	(169)		
TOTAL TRANSFERS	73,800	(47,358)	(43,986)		
EXCESS REVENUES AND TRANSFERS OVER(UNDER) BUDGET BASIS EXPENDITURES			(305,908)		
BEGINNING GENERAL FUND SURPLUS	-	295,600	295,556		
GAAP Revenues/(Expenditures) Not Budgeted			3,575		
(Increase)/Decrease in Long-Term Asset Reserve			1		
Budgeted Decrease (Increase) in Statutory 2 Percent Reserve Requirement	1,100	15,600	15,584		
Prior Period Adjustment (see Note 29)			(4,015)		
ENDING GENERAL FUND SURPLUS	-	(74,496)	4,793		
RECONCILIATION TO GAAP UNRESERVED FUND BALANCE:					
GAAP Medicaid Expenditures Deferred to Fiscal Year 2010-11 for Budget			(229,688)		
GAAP Payroll Expenditures Deferred to Fiscal Year 2010-11 for Budget			(88,688)		
GAAP Revenues Related to Deferred Payroll and Medicaid Expenditures			150,133		
GAAP Basis - Shortfall in Statutory Reserve			132,628		
ENDING GAAP UNRESERVED FUND BALANCE			$ (30,822)		

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 151 to 154). These schedules are presented in the budgetary fund structure discussed below. Higher Education Institution funds, with the exception of the amounts included in the Long Appropriations Act as limitations on the earning of certain cash revenues, are excluded from these schedules.

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

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

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

- Payments to employees for time worked in June of each fiscal year are made on the first working day of the following month; for general-funded appropriations those payments are reported as expenditures in the following fiscal year.
- Medicaid services claims are reported as expenditures only when the Department of Health Care Policy and Financing requests payment by the State Controller for medical services premiums under the Colorado Medical Services Act or for medical service provided by the Department of Human Services under the Colorado Medical Services Act. Similar treatment is afforded to nonadministrative expenditures that qualify for federal participation under Title XIX of the federal Social Security Act except for medically indigent program expenditures. 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 current 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 caused the expenditures to be deferred into Fiscal Year 2010-11. The Department estimated the deferred 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.

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

The appropriation controls the combined expenditures and encumbrances of the State, in the majority of the cases, to the level of line item within the State agency. Line items are individual lines in the official budget document and vary from specific payments for specific programs to single appropriations at the agency level. Statutes allow the Judicial and Executive Branches, at year-end, to transfer legislative appropriations within departments for expenditures of like purpose. The appropriation may be 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 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 156) shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (see pages 151 to 154) 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, General Fund payroll disbursements for employee time worked in June, 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.

See Note 19 on page 107 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[1] (c)	UAAL as a Percentage of Covered Payroll[1] ((b-a)/c)
University of Colorado:								
	2008-09	7/1/2008	-	$ 196,714,735	$ 196,714,735	0.0%	$ 898,898,961	21.9%
	2007-08	7/1/2007	-	$ 195,972,332	$ 195,972,332	0.0%	$ 831,242,265	23.6%
Colorado State University:								
RMPR								
	2009-10	1/1/2009	-	$ 25,187,719	$ 25,187,719	0.0%	$ 241,508,200	10.4%
	2008-09	1/1/2009	-	$ 25,187,719	$ 25,187,719	0.0%	$ 238,826,606	10.5%
	2007-08	1/1/2007	-	$ 22,079,791	$ 22,079,791	0.0%	$ 199,793,625	11.1%
RMPS								
	2009-10	1/1/2009	-	$ 55,863,780	$ 55,863,780	0.0%	N/A	N/A
Restated	2008-09	1/1/2009	-	$ 55,863,780	$ 55,863,780	0.0%	N/A	N/A
	2007-08	1/1/2008	-	$ 54,012,423	$ 54,012,423	0.0%	N/A	N/A
URX								
	2009-10	1/1/2009	-	$ 2,899,120	$ 2,899,120	0.0%	N/A	N/A
	2008-09	1/1/2009	-	$ 2,899,120	$ 2,899,120	0.0%	N/A	N/A
	2007-08	1/1/2008	-	$ 4,267,306	$ 4,267,306	0.0%	N/A	N/A
LTD								
	2009-10	1/1/2009	-	$ 12,218,851	$ 12,218,851	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

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

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2010

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTAL
ASSETS:				
Cash and Pooled Cash	$ 1,359,550	$ -	$ -	$ 1,359,550
Taxes Receivable, net	51,433	-	-	51,433
Other Receivables, net	87,472	-	12,765	100,237
Due From Other Governments	15,146	340	-	15,486
Due From Other Funds	209,586	-	5,871	215,457
Inventories	423	-	-	423
Prepaids, Advances, and Deferred Charges	17,647	-	-	17,647
Restricted Cash and Pooled Cash	157,667	218	89,420	247,305
Restricted Investments	69,355	-	564,780	634,135
Restricted Receivables	12,938	-	-	12,938
Investments	235,999	3,535	-	239,534
Other Long-Term Assets	429,355	-	2,364	431,719
Land and Nondepreciable Infrastructure	81	-	20,007	20,088
TOTAL ASSETS	$ 2,646,652	$ 4,093	$ 695,207	$ 3,345,952
LIABILITIES:				
Tax Refunds Payable	$ 5,083	$ -	$ -	$ 5,083
Accounts Payable and Accrued Liabilities	117,331	-	323	117,654
Due To Other Governments	80,723	-	5	80,728
Due To Other Funds	213,375	-	15,893	229,268
Deferred Revenue	102,483	-	4,701	107,184
Claims and Judgments Payable	135	-	-	135
Other Current Liabilities	233	-	-	233
Deposits Held In Custody For Others	5	-	-	5
TOTAL LIABILITIES	519,368	-	20,922	540,290
FUND BALANCES:				
Reserved for:				
Noncurrent Assets	543,519	-	22,371	565,890
Debt Service	-	4,093	-	4,093
Emergencies	94,000	-	-	94,000
Funds Reported as Restricted	146,809	-	602,787	749,596
Unreserved Undesignated, Reported in:				
Nonmajor Special Revenue Funds	1,302,178	-	-	1,302,178
Nonmajor Permanent Funds	-	-	10,586	10,586
Unreserved:				
Designated for Unrealized Investment Gains:				
Reported in Nonmajor Special Revenue Funds	40,778	-	-	40,778
Reported in Nonmajor Permanent Funds	-	-	38,541	38,541
TOTAL FUND BALANCES	2,127,284	4,093	674,285	2,805,662
TOTAL LIABILITIES AND FUND BALANCES	$ 2,646,652	$ 4,093	$ 695,207	$ 3,345,952

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OTHER GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2010

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTALS
REVENUES:				
Taxes:				
Sales and Use	$ 24,844	$ -	$ -	$ 24,844
Excise	151,964	-	-	151,964
Other Taxes	203,627	-	-	203,627
Licenses, Permits, and Fines	373,126	-	-	373,126
Charges for Goods and Services	384,450	-	-	384,450
Rents	7,590	-	70,227	77,817
Investment Income (Loss)	77,510	-	45,035	122,545
Federal Grants and Contracts	344,547	-	-	344,547
Additions to Permanent Funds	-	-	357	357
Unclaimed Property Receipts	42,155	-	-	42,155
Other	37,853	-	13	37,866
TOTAL REVENUES	1,647,666	-	115,632	1,763,298
EXPENDITURES:				
Current:				
General Government	40,951	-	1,060	42,011
Business, Community, and Consumer Affairs	173,510	-	-	173,510
Education	30,655	-	-	30,655
Health and Rehabilitation	87,400	-	-	87,400
Justice	26,520	-	-	26,520
Natural Resources	69,696	-	95	69,791
Social Assistance	216,263	-	-	216,263
Transportation	1,402	-	-	1,402
Capital Outlay	66,876	-	-	66,876
Intergovernmental:				
Cities	119,021	-	-	119,021
Counties	130,599	-	9	130,608
School Districts	80,155	-	-	80,155
Special Districts	33,636	-	-	33,636
Federal	1,724	-	-	1,724
Other	42,814	-	-	42,814
Debt Service	76	185,254	-	185,330
TOTAL EXPENDITURES	1,121,298	185,254	1,164	1,307,716
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	526,368	(185,254)	114,468	455,582
OTHER FINANCING SOURCES (USES):				
Transfers-In	799,608	188,789	-	988,397
Transfers-Out	(1,246,237)	-	(96,484)	(1,342,721)
Face Amount of Bond/COP Issuance	186,830	-	-	186,830
Bond/COP Premium/Discount	880	-	-	880
Sale of Capital Assets	-	-	8	8
Insurance Recoveries	253	-	-	253
TOTAL OTHER FINANCING SOURCES (USES)	(258,666)	188,789	(96,476)	(166,353)
NET CHANGE IN FUND BALANCES	267,702	3,535	17,992	289,229
FUND BALANCE, FISCAL YEAR BEGINNING	1,902,522	558	650,566	2,553,646
Prior Period Adjustment (See Note 29)	(42,940)	-	5,727	(37,213)
FUND BALANCE, FISCAL YEAR END	$ 2,127,284	$ 4,093	$ 674,285	$ 2,805,662

SPECIAL REVENUE FUNDS

WATER PROJECTS	This fund accounts for construction loans made to local governments and special districts to enhance the water resources of the State.
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 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 and regulatory costs. Prior to Fiscal Year 2006-07, these activities were primarily reported as Other Special Revenue Funds.
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. Prior to Fiscal Year 2006-07, these activities were primarily reported as Other Special Revenue Funds.
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. Prior to Fiscal Year 2006-07, these activities were primarily reported as Other Special Revenue Funds.

PUBLIC SCHOOL BUILDINGS	This fund category represents a collection of funds created to support improvements or additions to local governments' pre-kindergarten through 12th grade public school buildings. Prior to Fiscal year 2007-08, these activities were primarily reported as Other Special Revenue Funds.
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, 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 249 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 216 for a detail listing of these funds that have net assets in excess of $200,000.)

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2010

(DOLLARS IN THOUSANDS)	WATER PROJECTS	LABOR	GAMING	TOBACCO IMPACT MITIGATION
ASSETS:				
Cash and Pooled Cash	$ 101,320	$ 41,325	$ 137,510	$ 43,021
Taxes Receivable, net	-	20,166	11,018	-
Other Receivables, net	14,964	1,160	51	46,150
Due From Other Governments	488	-	-	-
Due From Other Funds	1,561	220	7	5
Inventories	-	-	-	-
Prepaids, Advances, and Deferred Charges	60	-	25	-
Restricted Cash and Pooled Cash	-	24,645	-	88,303
Restricted Investments	-	69,355	-	-
Restricted Receivables	-	-	-	12,911
Investments	-	38,175	-	-
Other Long-Term Assets	400,081	-	-	-
Land and Nondepreciable Infrastructure	-	-	-	-
TOTAL ASSETS	$ 518,474	$ 195,046	$ 148,611	$ 190,390
LIABILITIES:				
Tax Refunds Payable	$ -	$ -	$ -	$ 3
Accounts Payable and Accrued Liabilities	2,107	1,200	3,749	10,054
Due To Other Governments	-	-	19,618	199
Due To Other Funds	167,457	222	32,555	2,094
Deferred Revenue	-	-	437	-
Claims and Judgments Payable	-	68	-	-
Other Current Liabilities	-	-	17	-
Deposits Held In Custody For Others	-	-	4	-
TOTAL LIABILITIES	169,564	1,490	56,380	12,350
FUND BALANCES:				
Reserved for:				
Noncurrent Assets	346,926	-	-	-
Emergencies	-	94,000	-	-
Funds Reported as Restricted	-	-	10,787	93,216
Unreserved:				
Designated for Unrealized Investment Gains:				
Reported in Nonmajor Special Revenue Funds	1,984	10,142	2,693	2,441
Undesignated	-	89,414	78,751	82,383
TOTAL FUND BALANCES	348,910	193,556	92,231	178,040
TOTAL LIABILITIES AND FUND BALANCES	$ 518,474	$ 195,046	$ 148,611	$ 190,390

RESOURCE EXTRACTION	RESOURCE MANAGEMENT	ENVIRONMENT AND HEALTH PROTECTION	PUBLIC SCHOOL BUILDINGS	UNCLAIMED PROPERTY	OTHER SPECIAL REVENUE	TOTALS
$ 378,695	$ 44,186	$ 144,871	$ 76,314	$ 69,081	$ 323,227	$ 1,359,550
18,124	-	-	-	-	2,125	51,433
1,747	7,108	6,308	280	366	9,338	87,472
448	499	7,840	22	-	5,849	15,146
167,332	3,100	4,574	3,924	-	28,863	209,586
-	403	-	-	-	20	423
14	1,867	-	-	-	15,681	17,647
-	-	13,226	-	-	31,493	157,667
-	-	-	-	-	-	69,355
-	-	8	-	-	19	12,938
-	-	-	146,423	51,401	-	235,999
13,311	-	-	-	-	15,963	429,355
-	-	-	-	-	81	81
$ 579,671	$ 57,163	$ 176,827	$ 226,963	$ 120,848	$ 432,659	$ 2,646,652
$ 4,961	$ -	$ -	$ -	$ -	$ 119	$ 5,083
3,851	4,201	52,592	10,855	1,221	27,501	117,331
39,748	250	799	6,934	-	13,175	80,723
283	1,363	4,978	-	-	4,423	213,375
11,308	1,851	7,491	-	-	81,396	102,483
-	-	-	-	-	67	135
-	6	210	-	-	-	233
-	-	-	-	-	1	5
60,151	7,671	66,070	17,789	1,221	126,682	519,368
180,630	-	-	-	-	15,963	543,519
-	-	-	-	-	-	94,000
-	-	12,753	-	-	30,053	146,809
7,708	933	2,899	1,546	6,083	4,349	40,778
331,182	48,559	95,105	207,628	113,544	255,612	1,302,178
519,520	49,492	110,757	209,174	119,627	305,977	2,127,284
$ 579,671	$ 57,163	$ 176,827	$ 226,963	$ 120,848	$ 432,659	$ 2,646,652

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

(DOLLARS IN THOUSANDS)	WATER PROJECTS	LABOR	GAMING	TOBACCO IMPACT MITIGATION
REVENUES:				
Taxes:				
Sales and Use	$ -	$ -	$ -	$ -
Excise	-	-	-	149,783
Other Taxes	-	56,202	107,667	-
Licenses, Permits, and Fines	10	269	697	90,640
Charges for Goods and Services	806	203	530	-
Rents	31	-	373	-
Investment Income (Loss)	12,971	11,348	3,294	4,442
Federal Grants and Contracts	2,185	-	1,162	-
Unclaimed Property Receipts	-	-	-	-
Other	335	135	19	2,344
TOTAL REVENUES	16,338	68,157	113,742	247,209
EXPENDITURES:				
Current:				
General Government	-	-	-	363
Business, Community, and Consumer Affairs	-	18,172	24,751	-
Education	-	-	15,654	90
Health and Rehabilitation	-	-	99	31,986
Justice	-	-	-	-
Natural Resources	14,784	-	-	-
Social Assistance	-	-	-	12,669
Transportation	-	-	-	-
Capital Outlay	431	-	836	57
Intergovernmental:				
Cities	801	-	16,592	1,186
Counties	379	-	18,606	17,757
School Districts	25	-	426	4,310
Special Districts	2,088	-	416	12
Federal	422	-	-	-
Other	384	-	951	8,102
Debt Service	-	-	-	-
TOTAL EXPENDITURES	19,314	18,172	78,331	76,532
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,976)	49,985	35,411	170,677
OTHER FINANCING SOURCES (USES):				
Transfers-In	79,850	25,200	-	126,016
Transfers-Out	(1,707)	(56,829)	(36,010)	(346,627)
Face Amount of Bond/COP Issuance	-	-	-	-
Bond/COP Premium/Discount	-	-	-	-
Insurance Recoveries	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	78,143	(31,629)	(36,010)	(220,611)
NET CHANGE IN FUND BALANCES	75,167	18,356	(599)	(49,934)
FUND BALANCE, FISCAL YEAR BEGINNING	273,743	182,675	92,830	227,974
Prior Period Adjustment (See Note 29)	-	(7,475)	-	-
FUND BALANCE, FISCAL YEAR END	$ 348,910	$ 193,556	$ 92,231	$ 178,040

RESOURCE EXTRACTION	RESOURCE MANAGEMENT	ENVIRONMENT AND HEALTH PROTECTION	PUBLIC SCHOOL BUILDINGS	UNCLAIMED PROPERTY	OTHER SPECIAL REVENUE	TOTALS
$ -	$ -	$ -	$ -	$ -	$ 24,844	$ 24,844
-	-	-	-	-	2,181	151,964
36,080	-	-	-	-	3,678	203,627
1,093	20,120	44,775	-	-	215,522	373,126
17	9,261	340,414	-	-	33,219	384,450
-	7,147	-	-	-	39	7,590
18,098	1,281	5,982	4,443	5,549	10,102	77,510
129,318	2,646	121,137	-	-	88,099	344,547
-	-	-	-	42,155	-	42,155
292	9,618	428	1,933	6	22,743	37,853
184,898	50,073	512,736	6,376	47,710	400,427	1,647,666
-	-	-	2,062	26,658	11,868	40,951
1,351	99	-	-	-	129,137	173,510
-	-	-	8,274	-	6,637	30,655
-	-	34,042	-	-	21,273	87,400
-	-	78	-	-	26,442	26,520
16,121	30,917	-	-	-	7,874	69,696
-	-	186,837	-	-	16,757	216,263
-	-	-	-	-	1,402	1,402
212	6,220	511	49,166	-	9,443	66,876
52,493	262	875	-	-	46,812	119,021
45,378	394	2,007	-	-	46,078	130,599
6,719	-	26	16,943	-	51,706	80,155
9,034	-	-	-	-	22,086	33,636
-	14	55	-	-	1,233	1,724
2,759	1,675	509	-	-	28,434	42,814
-	-	-	-	-	76	76
134,067	39,581	224,940	76,445	26,658	427,258	1,121,298
50,831	10,492	287,796	(70,069)	21,052	(26,831)	526,368
225,012	20,777	74,659	33,285	68,275	146,534	799,608
(286,669)	(24,165)	(345,825)	(3,552)	(31,711)	(113,142)	(1,246,237)
-	-	-	186,830	-	-	186,830
-	-	-	880	-	-	880
-	253	-	-	-	-	253
(61,657)	(3,135)	(271,166)	217,443	36,564	33,392	(258,666)
(10,826)	7,357	16,630	147,374	57,616	6,561	267,702
530,346	42,135	93,249	61,800	98,343	299,427	1,902,522
-	-	878	-	(36,332)	(11)	(42,940)
$ 519,520	$ 49,492	$ 110,757	$ 209,174	$ 119,627	$ 305,977	$ 2,127,284

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 the Land and Water Management Fund, the Hall Historical Marker Fund, the Wildlife for Future Generations Fund, and the Veterans Monument Preservation Fund.

COMBINING BALANCE SHEET
PERMANENT FUNDS
JUNE 30, 2010

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
ASSETS:			
Other Receivables, net	$ 12,765	$ -	$ 12,765
Due From Other Funds	5,871	-	5,871
Restricted Cash and Pooled Cash	81,129	8,291	89,420
Restricted Investments	564,780	-	564,780
Other Long-Term Assets	2,364	-	2,364
Capital Assets Held as Investments	20,007	-	20,007
TOTAL ASSETS	$ 686,916	$ 8,291	$ 695,207
LIABILITIES:			
Accounts Payable and Accrued Liabilities	$ 322	$ 1	$ 323
Due To Other Governments	5	-	5
Due To Other Funds	15,893	-	15,893
Deferred Revenue	4,701	-	4,701
TOTAL LIABILITIES	20,921	1	20,922
FUND BALANCES:			
Reserved for:			
Noncurrent Assets	22,371	-	22,371
Funds Reported as Restricted	595,959	6,828	602,787
Unreserved:			
Reported in Nonmajor Permanent Funds	38,371	170	38,541
Undesignated	9,294	1,292	10,586
TOTAL FUND BALANCES	665,995	8,290	674,285
TOTAL LIABILITIES AND FUND BALANCES	$ 686,916	$ 8,291	$ 695,207

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES PERMANENT FUNDS FOR THE YEAR ENDED JUNE 30, 2010

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
REVENUES:			
Rents	$ 70,227	$ -	$ 70,227
Investment Income (Loss)	44,784	251	45,035
Additions to Permanent Funds	357	-	357
Other	10	3	13
TOTAL REVENUES	115,378	254	115,632
EXPENDITURES:			
Current:			
General Government	1,059	1	1,060
Natural Resources	-	95	95
Intergovernmental:			
Counties	9	-	9
TOTAL EXPENDITURES	1,068	96	1,164
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	114,310	158	114,468
OTHER FINANCING SOURCES (USES):			
Transfers-Out	(96,467)	(17)	(96,484)
Sale of Capital Assets	8	-	8
TOTAL OTHER FINANCING SOURCES (USES)	(96,459)	(17)	(96,476)
NET CHANGE IN FUND BALANCES	17,851	141	17,992
FUND BALANCE, FISCAL YEAR BEGINNING	642,417	8,149	650,566
Prior Period Adjustment (See Note 29)	5,727	-	5,727
FUND BALANCE, FISCAL YEAR END	$ 665,995	$ 8,290	$ 674,285

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:

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, Rifle, and Trinidad.
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.
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, 2010

(DOLLARS IN THOUSANDS)	WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 9,518	$ 43,628	$ 1,199
Investments	-	-	-
Student and Other Receivables, net	3,468	830	17
Due From Other Governments	-	2,037	-
Due From Other Funds	34	-	-
Inventories	1,045	-	29
Prepaids, Advances, and Deferred Charges	429	330	109
Total Current Assets	14,494	46,825	1,354
Noncurrent Assets:			
Restricted Cash and Pooled Cash	52,323	24,177	-
Restricted Receivables	4,406	33,267	-
Other Long-Term Assets	-	-	-
Depreciable Capital Assets and Infrastructure, net	58,080	2	11,539
Land and Nondepreciable Infrastructure	188,352	-	595
Total Noncurrent Assets	303,161	57,446	12,134
TOTAL ASSETS	317,655	104,271	13,488
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	8,364	822	441
Due To Other Governments	-	30,673	-
Due To Other Funds	317	-	-
Deferred Revenue	29,229	-	491
Compensated Absences Payable	491	-	-
Leases Payable	-	-	-
Notes, Bonds, and COP's Payable	-	-	-
Other Current Liabilities	1	9,060	7
Total Current Liabilities	38,402	40,555	939
Noncurrent Liabilities:			
Accrued Compensated Absences	4,976	130	124
Capital Lease Payable	-	-	-
Notes, Bonds, and COP's Payable	-	-	-
Total Noncurrent Liabilities	4,976	130	124
TOTAL LIABILITIES	43,378	40,685	1,063
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	246,432	2	12,134
Restricted for:			
Emergencies	16,257	-	-
Court Awards and Other Purposes	-	26,144	-
Unrestricted	11,588	37,440	291
TOTAL NET ASSETS	$ 274,277	$ 63,586	$ 12,425

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ 6,068	$ 4,697	$ 5,750	$ 6,958	$ 94,022	$ 171,840
-	563	-	-	-	563
898	1,233	310	2,995	5,291	15,042
209	1,564	-	293	812	4,915
1,973	2,165	-	-	-	4,172
10,731	224	472	-	154	12,655
34	21	-	-	231	1,154
19,913	10,467	6,532	10,246	100,510	210,341
-	-	-	-	-	76,500
-	-	-	-	-	37,673
1,747	320	-	-	161	2,228
3,536	27,999	2,132	491	9,842	113,621
980	4,945	-	-	5,935	200,807
6,263	33,264	2,132	491	15,938	430,829
26,176	43,731	8,664	10,737	116,448	641,170
2,954	4,337	506	4,014	1,531	22,969
-	219	-	-	-	30,892
-	5	10	-	-	332
-	-	-	5	2,350	32,075
66	192	-	10	231	990
-	250	-	-	-	250
-	395	-	-	40,345	40,740
6	-	-	-	4	9,078
3,026	5,398	516	4,029	44,461	137,326
917	1,954	187	321	330	8,939
-	2,880	-	-	-	2,880
-	3,250	-	-	6,799	10,049
917	8,084	187	321	7,129	21,868
3,943	13,482	703	4,350	51,590	159,194
4,516	26,134	2,132	491	8,633	300,474
-	-	-	-	-	16,257
-	-	-	-	-	26,144
17,717	4,115	5,829	5,896	56,225	139,101
$ 22,233	$ 30,249	$ 7,961	$ 6,387	$ 64,858	$ 481,976

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS OTHER ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2010

(DOLLARS IN THOUSANDS)	WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
OPERATING REVENUES:			
License and Permits	$ 73,196	$ -	$ -
Tuition and Fees	3	-	-
Sales of Goods and Services	2,089	-	7,218
Investment Income (Loss)	-	3,795	-
Rental Income	-	-	531
Federal Grants and Contracts	21,246	394,190	-
Intergovernmental Revenue	11,155	-	-
Other	644	3,053	-
TOTAL OPERATING REVENUES	108,333	401,038	7,749
OPERATING EXPENSES:			
Salaries and Fringe Benefits	58,536	44,261	4,183
Operating and Travel	40,059	349,569	4,066
Cost of Goods Sold	-	-	-
Depreciation and Amortization	4,244	8	419
Intergovernmental Distributions	2,666	-	-
Debt Service	-	16,105	-
Prizes and Awards	7	-	757
TOTAL OPERATING EXPENSES	105,512	409,943	9,425
OPERATING INCOME (LOSS)	2,821	(8,905)	(1,676)
NONOPERATING REVENUES AND (EXPENSES):			
Taxes	-	-	-
Fines and Settlements	278	-	-
Investment Income (Loss)	1,273	-	876
Rental Income	462	-	-
Gifts and Donations	1,063	-	446
Gain/(Loss) on Sale or Impairment of Capital Assets	145	-	1
Insurance Recoveries from Prior Year Impairments	-	-	10
Debt Service	(15)	-	-
Other Expenses	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	3,206	-	1,333
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	6,027	(8,905)	(343)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	2,325	-	771
Transfers-In	2,650	-	-
Transfers-Out	(5,183)	(85)	(132)
TOTAL CONTRIBUTIONS AND TRANSFERS	(208)	(85)	639
CHANGE IN NET ASSETS	5,819	(8,990)	296
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	242,544	72,576	12,129
Prior Period Adjustments (See Note 29)	25,914	-	-
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 274,277	$ 63,586	$ 12,425

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ -	$ -	$ -	$ 565	$ 6,929	$ 80,690
-	-	-	-	218	221
39,107	39,649	16,690	5	49,981	154,739
-	-	-	-	-	3,795
-	-	-	-	774	1,305
-	12,889	-	2,342	2,228	432,895
-	310	-	-	-	11,465
208	92	22	19	44	4,082
39,315	52,940	16,712	2,931	60,174	689,192
9,592	39,018	5,803	10,653	6,796	178,842
8,169	9,226	1,956	25,392	6,810	445,247
20,106	-	10,177	-	144	30,427
1,080	1,595	113	39	858	8,356
-	2,397	-	-	104	5,167
-	-	-	-	-	16,105
-	-	-	-	-	764
38,947	52,236	18,049	36,084	14,712	684,908
368	704	(1,337)	(33,153)	45,462	4,284
-	-	-	26,125	-	26,125
-	-	-	57	222	557
148	10	208	152	1,573	4,240
249	7	-	-	-	718
-	-	-	-	484	1,993
6	30	-	-	2	184
-	-	-	-	-	10
-	(344)	-	-	(236)	(595)
-	(42)	-	-	(25)	(67)
403	(339)	208	26,334	2,020	33,165
771	365	(1,129)	(6,819)	47,482	37,449
466	-	-	-	-	3,562
4	986	-	-	1,086	4,726
(355)	(896)	(420)	(781)	(485)	(8,337)
115	90	(420)	(781)	601	(49)
886	455	(1,549)	(7,600)	48,083	37,400
21,347	29,794	9,510	13,987	16,775	418,662
-	-	-	-	-	25,914
$ 22,233	$ 30,249	$ 7,961	$ 6,387	$ 64,858	$ 481,976

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

(DOLLARS IN THOUSANDS)	WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from:			
Tuition, Fees, and Student Loans	$ 3	$ -	$ -
Fees for Service	69,566	-	5,121
Sales of Products	663	7,091	112
Gifts, Grants, and Contracts	21,583	396,068	-
Income from Property	462	-	531
Other Sources	16,609	3,053	2,628
Cash Payments to or for:			
Employees	(55,361)	(2,046)	(2,242)
Suppliers	(33,425)	(43,254)	(5,695)
Sales Commissions and Lottery Prizes	(5,734)	-	-
Others for Student Loans and Loan Losses	-	(367,827)	-
Other Governments	(2,666)	-	-
Other	(4,594)	-	(887)
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,106	(6,915)	(432)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-In	2,650	-	-
Transfers-Out	(5,183)	(85)	(132)
Receipt of Deposits Held in Custody	1	-	1
Release of Deposits Held in Custody	-	(19)	(1)
Gifts and Grants for Other Than Capital Purposes	1,063	-	-
NonCapital Debt Proceeds	-	-	-
NonCapital Debt Service Payments	-	-	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(1,469)	(104)	(132)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of Capital Assets	(14,040)	-	(496)
Proceeds from Sale of Capital Assets	-	-	20
Capital Debt Proceeds	-	-	-
Capital Debt Service Payments	(2)	-	-
Capital Lease Payments	-	-	-
NET CASH FROM CAPITAL RELATED FINANCING ACTIVITIES	(14,042)	-	(476)

(Continued)

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ -	$ 39	$ -	$ -	$ 218	$ 260
9,195	38,464	-	27,114	45,387	194,847
29,320	44	16,696	-	535	54,461
-	13,982	-	2,239	1,539	435,411
249	7	-	-	1,001	2,250
214	30	22	627	5,636	28,819
(9,405)	(37,466)	(5,831)	(3,297)	(5,522)	(121,170)
(28,920)	(10,646)	(12,009)	(32,525)	(9,404)	(175,878)
-	-	-	-	-	(5,734)
-	-	-	-	-	(367,827)
-	(2,527)	-	-	(104)	(5,297)
(86)	(8)	(4)	-	(212)	(5,791)
567	1,919	(1,126)	(5,842)	39,074	34,351
4	986	-	-	1,086	4,726
(355)	(896)	(420)	(781)	(485)	(8,337)
5	-	-	-	-	7
(5)	-	-	-	(98)	(123)
-	-	-	-	484	1,547
-	24	-	-	-	24
-	(573)	-	-	-	(573)
(351)	(459)	(420)	(781)	987	(2,729)
(1,427)	(582)	(125)	(22)	(1,745)	(18,437)
1,082	-	112	-	172	1,386
-	-	-	-	40,010	40,010
-	(24)	-	-	(573)	(599)
-	(395)	-	-	-	(395)
(345)	(1,001)	(13)	(22)	37,864	21,965

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

(Continued)

(DOLLARS IN THOUSANDS)	WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	918	3,135	872
Increase(Decrease) from Unrealized Gain(Loss) on Investments	355	659	4
NET CASH FROM INVESTING ACTIVITIES	1,273	3,794	876
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	(7,132)	(3,225)	(164)
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	68,973	71,030	1,363
Prior Period Adjustment	-	-	-
CASH AND POOLED CASH, FISCAL YEAR END	$ 61,841	$ 67,805	$ 1,199
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	$ 2,821	$ (8,905)	$ (1,676)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	4,244	8	419
Investment/Rental Income and Other Revenue in Operating Income	-	(3,795)	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	727	-	456
(Gain)/Loss on Disposal of Capital and Other Assets	703	-	-
Compensated Absences	(163)	(2)	(1)
Interest and Other Expense in Operating Income	-	-	1
Net Changes in Assets and Liabilities Related to Operating Activities:			
(Increase) Decrease in Operating Receivables	(628)	15,337	116
(Increase) Decrease in Inventories	(6)	-	7
(Increase) Decrease in Other Operating Assets	(26)	(1)	13
Increase (Decrease) in Accounts Payable	(1,007)	(6,489)	141
Increase (Decrease) in Other Operating Liabilities	441	(3,068)	92
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 7,106	$ (6,915)	$ (432)
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:			
Capital Assets Funded by the Capital Projects Fund	-	-	771
Capital Assets Acquired by Grants or Donations and Payable Increases	2,311	-	-
Loss on Disposal of Capital and Other Assets	703	-	-

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	OTHER ENTERPRISE ACTIVITIES	TOTALS
102	2	185	173	649	6,036
46	66	24	(21)	924	2,057
148	68	209	152	1,573	8,093
19	527	(1,350)	(6,493)	79,498	61,680
6,049	4,791	7,100	13,451	14,524	187,281
-	(621)	-		-	(621)
$ 6,068	$ 4,697	$ 5,750	$ 6,958	$ 94,022	$ 248,340
$ 368	$ 704	$ (1,337)	$ (33,153)	$ 45,462	$ 4,284
1,080	1,595	113	39	858	8,356
-	-	-	-	-	(3,795)
255	26	-	26,182	209	27,855
40	-	-	-	-	743
(77)	124	15	104	7	7
-	78	-	-	(852)	(773)
(591)	8	9	861	(4,519)	10,593
(1,115)	(22)	57	-	(41)	(1,120)
(131)	7	-	-	385	247
738	(601)	17	120	(876)	(7,957)
-	-	-	5	(1,559)	(4,089)
$ 567	$ 1,919	$ (1,126)	$ (5,842)	$ 39,074	$ 34,351
-	-	-	-	-	771
361	-	-	-	-	2,672
40	-	-	-	-	743

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.
GENERAL GOVERNMENT COMPUTER CENTER	This fund accounts for computer services sold to other State agencies.
TELECOMMUNICATIONS	This fund accounts for telecommunications services sold primarily to other State agencies.
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.
DEBT COLLECTION	This fund 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, 2010

(DOLLARS IN THOUSANDS)	CENTRAL SERVICES	GENERAL GOVERNMENT COMPUTER CENTER	TELECOM-MUNICATIONS
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 7,285	$ 2,245	$ 3,778
Other Receivables, net	283	517	7
Due From Other Governments	-	-	155
Due From Other Funds	23	477	-
Inventories	738	-	45
Prepaids, Advances, and Deferred Charges	8	377	157
Total Current Assets	8,337	3,616	4,142
Noncurrent Assets:			
Other Long-Term Assets	107	-	-
Depreciable Capital Assets and Infrastructure, net	65,123	1,004	1,641
Total Noncurrent Assets	65,230	1,004	1,641
TOTAL ASSETS	73,567	4,620	5,783
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	2,502	1,435	659
Due To Other Funds	2	-	-
Deferred Revenue	389	-	-
Compensated Absences Payable	4	21	12
Leases Payable	8,101	-	-
Notes, Bonds, and COP's Payable	4,195	-	-
Total Current Liabilities	15,193	1,456	671
Noncurrent Liabilities:			
Accrued Compensated Absences	462	1,124	443
Capital Lease Payable	40,540	-	-
Notes, Bonds, and COP's Payable	8,329	-	-
Total Noncurrent Liabilities	49,331	1,124	443
TOTAL LIABILITIES	64,524	2,580	1,114
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	3,958	1,004	1,641
Unrestricted	5,085	1,036	3,028
TOTAL NET ASSETS	$ 9,043	$ 2,040	$ 4,669

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	DEBT COLLECTION	TOTALS
$ 2,458	$ 1,067	$ 464	$ 1,132	$ 484	$ 18,913
35	2	6	1	7	858
-	-	-	-	-	155
10	-	1	-	-	511
234	267	-	-	-	1,284
-	-	-	-	-	542
2,737	1,336	471	1,133	491	22,263
-	-	-	-	-	107
19,195	113	1,443	23	17	88,559
19,195	113	1,443	23	17	88,666
21,932	1,449	1,914	1,156	508	110,929
870	114	54	289	134	6,057
-	-	-	-	-	2
-	-	-	-	-	389
8	-	-	-	-	45
769	-	-	-	-	8,870
-	-	-	-	-	4,195
1,647	114	54	289	134	19,558
269	-	-	245	35	2,578
17,912	-	-	-	-	58,452
-	-	-	-	-	8,329
18,181	-	-	245	35	69,359
19,828	114	54	534	169	88,917
514	113	1,443	23	17	8,713
1,590	1,222	417	599	322	13,299
$ 2,104	$ 1,335	$ 1,860	$ 622	$ 339	$ 22,012

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

(DOLLARS IN THOUSANDS)	CENTRAL SERVICES	GENERAL GOVERNMENT COMPUTER CENTER	TELECOM-MUNICATIONS
OPERATING REVENUES:			
Sales of Goods and Services	$ 53,992	$ 22,920	$ 24,917
Rental Income	-	-	-
Other	357	204	45
TOTAL OPERATING REVENUES	54,349	23,124	24,962
OPERATING EXPENSES:			
Salaries and Fringe Benefits	8,242	12,481	6,277
Operating and Travel	24,168	9,325	17,220
Cost of Goods Sold	7,937	-	-
Depreciation and Amortization	12,641	321	457
Intergovernmental Distributions	-	-	-
TOTAL OPERATING EXPENSES	52,988	22,127	23,954
OPERATING INCOME (LOSS)	1,361	997	1,008
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income (Loss)	66	(39)	-
Federal Grants and Contracts	-	-	-
Gain/(Loss) on Sale or Impairment of Capital Assets	960	7	(10)
Insurance Recoveries from Prior Year Impairments	-	-	-
Debt Service	(2,185)	(12)	(1)
Other Expenses	(70)	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,229)	(44)	(11)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	132	953	997
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	1,768	-	-
Transfers-In	1,532	-	532
Transfers-Out	(2,616)	(391)	(551)
TOTAL CONTRIBUTIONS AND TRANSFERS	684	(391)	(19)
CHANGE IN NET ASSETS	816	562	978
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	8,227	1,543	36,083
Prior Period Adjustments (See Note 29)	-	(65)	(32,392)
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 9,043	$ 2,040	$ 4,669

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	DEBT COLLECTION	TOTALS
$ -	$ 1,681	$ 144	$ 4,611	$ 2,640	$ 110,905
11,343	-	-	-	-	11,343
3	-	-	-	-	609
11,346	1,681	144	4,611	2,640	122,857
3,009	1,121	45	3,336	1,010	35,521
4,905	1,262	344	747	1,217	59,188
-	-	-	-	-	7,937
1,233	14	412	7	8	15,093
283	-	-	-	-	283
9,430	2,397	801	4,090	2,235	118,022
1,916	(716)	(657)	521	405	4,835
-	-	-	-	-	27
98	-	-	-	-	98
1,519	-	-	-	-	2,476
5	-	-	-	-	5
(815)	-	-	-	(2)	(3,015)
-	-	-	-	-	(70)
807	-	-	-	(2)	(479)
2,723	(716)	(657)	521	403	4,356
-	-	-	-	-	1,768
-	-	299	-	-	2,363
(1,055)	-	(5)	(327)	(164)	(5,109)
(1,055)	-	294	(327)	(164)	(978)
1,668	(716)	(363)	194	239	3,378
436	2,051	2,223	428	100	51,091
-	-	-	-	-	(32,457)
$ 2,104	$ 1,335	$ 1,860	$ 622	$ 339	$ 22,012

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

(DOLLARS IN THOUSANDS)	CENTRAL SERVICES	GENERAL GOVERNMENT COMPUTER CENTER	TELECOM-MUNICATIONS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from:			
Fees for Service	$ 53,756	$ 21,962	$ 24,918
Sales of Products	231	-	-
Gifts, Grants, and Contracts	-	143	-
Income from Property	-	-	-
Other Sources	535	68	48
Cash Payments to or for:			
Employees	(7,090)	(12,561)	(6,807)
Suppliers	(37,198)	(10,075)	(17,054)
Sales Commissions and Lottery Prizes	-	-	-
Other Governments	-	-	-
Other	(17)	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	10,217	(463)	1,105
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-In	1,532	-	532
Transfers-Out	(2,616)	(391)	(551)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(1,084)	(391)	(19)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of Capital Assets	(19,099)	(536)	(344)
Proceeds from Sale of Capital Assets	13,578	-	-
Capital Debt Proceeds	-	-	-
Capital Debt Service Payments	(5,483)	(12)	(1)
Capital Lease Payments	(1,403)	-	-
NET CASH FROM CAPITAL RELATED FINANCING ACTIVITIES	(12,407)	(548)	(345)

(Continued)

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	DEBT COLLECTION	TOTALS
$ -	$ 831	$ 143	$ 4,611	$ 2,639	$ 108,860
-	848	-	-	-	1,079
98	-	-	-	-	241
11,367	-	-	-	-	11,367
31	-	-	-	-	682
(3,034)	(1,101)	(5)	(3,381)	(1,035)	(35,014)
(4,947)	(1,217)	(345)	(666)	(389)	(71,891)
-	-	-	-	(731)	(731)
(283)	-	-	-	-	(283)
(1)	(2)	-	-	(92)	(112)
3,231	(641)	(207)	564	392	14,198
-	-	299	-	-	2,363
(1,054)	-	(5)	(327)	(165)	(5,109)
(1,054)	-	294	(327)	(165)	(2,746)
(4,773)	(13)	-	-	-	(24,765)
2,506	-	-	-	-	16,084
-	-	-	-	-	-
(815)	-	-	-	(2)	(6,313)
-	-	-	-	-	(1,403)
(3,082)	(13)	-	-	(2)	(16,397)

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

(Continued)

(DOLLARS IN THOUSANDS)	CENTRAL SERVICES	GENERAL GOVERNMENT COMPUTER CENTER	TELECOM-MUNICATIONS
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	66	2	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	-	(41)	-
NET CASH FROM INVESTING ACTIVITIES	66	(39)	-
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	(3,208)	(1,441)	741
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	10,493	3,686	3,037
CASH AND POOLED CASH, FISCAL YEAR END	$ 7,285	$ 2,245	$ 3,778
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	$ 1,361	$ 997	$ 1,008
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	12,641	321	457
Rents, Fines, Donations, and Grants and Contracts in NonOperating	-	7	4
Compensated Absences	(15)	17	(7)
Interest and Other Expense in Operating Income	70	-	-
Net Changes in Assets and Liabilities Related to Operating Activities:			
(Increase) Decrease in Operating Receivables	85	(449)	(1)
(Increase) Decrease in Inventories	(327)	-	5
(Increase) Decrease in Other Operating Assets	(7)	(221)	(132)
Increase (Decrease) in Accounts Payable	(3,679)	(629)	(229)
Increase (Decrease) in Other Operating Liabilities	88	(506)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 10,217	$ (463)	$ 1,105
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:			
Capital Assets Funded by the Capital Projects Fund	1,768	-	-
Loss on Disposal of Capital and Other Assets	-	-	14
Disposal of Capital Assets	-	-	32,392
Assumption of Capital Lease Obligation or Mortgage	16,821	-	-

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	DEBT COLLECTION	TOTALS
-	1	-	-	-	69
-	(1)	-	-	-	(42)
-	-	-	-	-	27
(905)	(654)	87	237	225	(4,918)
3,363	1,721	377	895	259	23,831
$ 2,458	$ 1,067	$ 464	$ 1,132	$ 484	$ 18,913
$ 1,916	$ (716)	$ (657)	$ 521	$ 405	$ 4,835
1,233	14	412	7	8	15,093
130	-	-	-	-	141
(4)	-	-	6	1	(2)
125	-	-	-	-	195
25	(2)	-	(1)	(3)	(346)
7	57	-	-	-	(258)
-	-	-	35	-	(325)
(198)	6	38	(4)	(19)	(4,714)
(3)	-	-	-	-	(421)
$ 3,231	$ (641)	$ (207)	$ 564	$ 392	$ 14,198
-	-	-	-	-	1,768
-	-	-	-	-	14
-	-	-	-	-	32,392
-	-	-	-	-	16,821

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the State in a fiduciary capacity. Pension and Other Employee Benefits Trust Funds are included in this category. However, financial statements for the State's Pension and Other Employee Benefits Trust Funds are presented in the notes to the financial statements and are not repeated in this supplementary information. 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 students apply for the stipend. 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, 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, 2010

(DOLLARS IN THOUSANDS)	TREASURER'S	UNCLAIMED PROPERTY	COLLEGE SAVINGS PLAN
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 3,093	$ 89,744	$ 2,946
Other Receivables, net	-	-	9,177
Due From Other Funds	-	-	5,586
Noncurrent Assets:			
Investments:			
Government Securities	-	-	-
Mutual Funds	-	-	3,262,465
Other Investments	-	-	36,856
TOTAL ASSETS	3,093	89,744	3,317,030
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	-	-	9,799
Deferred Revenue	-	-	1,287
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	-	4,210
TOTAL LIABILITIES	-	-	15,296
NET ASSETS:			
Held in Trust for:			
Individuals, Organizations, and Other Entities	3,093	89,744	3,301,734
TOTAL NET ASSETS	$ 3,093	$ 89,744	$ 3,301,734

COLLEGE OPPORTUNITY FUND	MULTISTATE LOTTERY WINNERS	OTHER	TOTALS
$ 128	$ -	$ 4,325	$ 100,236
29	-	2,533	11,739
-	-	-	5,586
-	10,679	605	11,284
-	-	-	3,262,465
-	-	-	36,856
157	10,679	7,463	3,428,166
157	-	660	10,616
-	-	5,569	6,856
-	-	-	4,210
157	-	6,229	21,682
-	10,679	1,234	3,406,484
$ -	$ 10,679	$ 1,234	$ 3,406,484

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

(DOLLARS IN THOUSANDS)	TREASURER'S	UNCLAIMED PROPERTY	COLLEGE SAVINGS PLAN
ADDITIONS:			
Additions By Participants	$ -	$ -	$ 481,748
Investment Income/(Loss)	68	-	379,462
Unclaimed Property Receipts	-	53,700	-
Other Additions	528	-	706
TOTAL ADDITIONS	596	53,700	861,916
DEDUCTIONS:			
Distributions to Participants	-	-	-
Payments in Accordance with Trust Agreements	190	25,193	356,438
Transfers-Out	-	-	-
TOTAL DEDUCTIONS	190	25,193	356,438
CHANGE IN NET ASSETS	406	28,507	505,478
NET ASSETS AVAILABLE:			
FISCAL YEAR BEGINNING	2,687	-	2,796,256
Prior Period Adjustments (Note 29)	-	61,237	-
FISCAL YEAR ENDING	$ 3,093	$ 89,744	$ 3,301,734

COLLEGE OPPORTUNITY FUND	MULTISTATE LOTTERY WINNERS	OTHER	TOTALS
$ 185,658	$ -	$ 7,456	$ 674,862
-	1,172	132	380,834
-	-	-	53,700
-	-	1,570	2,804
185,658	1,172	9,158	1,112,200
185,658	386	-	186,044
-	-	9,050	390,871
-	-	106	106
185,658	386	9,156	577,021
-	786	2	535,179
-	9,893	1,232	2,810,068
-	-	-	61,237
$ -	$ 10,679	$ 1,234	$ 3,406,484

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

DEPARTMENT OF REVENUE AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 87,939	$ 2,214,927	$ 2,210,159	$ 92,707
Taxes Receivable, net	114,858	35,234	14,376	135,716
TOTAL ASSETS	$ 202,797	$ 2,250,161	$ 2,224,535	$ 228,423
LIABILITIES:				
Tax Refunds Payable	$ 2,465	$ 4,016	$ 957	$ 5,524
Due To Other Governments	192,568	3,302,576	3,279,632	215,512
Claims and Judgments Payable	84	4,119	3,962	241
Other Long-Term Liabilities	7,680	99	633	7,146
TOTAL LIABILITIES	$ 202,797	$ 3,310,810	$ 3,285,184	$ 228,423

OTHER AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 97,941	$ 499,664	$ 222,745	$ 374,860
Taxes Receivable, net	4,383	211	405	4,189
Other Receivables, net	628	945	1,059	514
Due From Other Funds	-	1	1	-
Inventories	4	40	41	3
Other Long-Term Assets	17,909	2,588	1,113	19,384
TOTAL ASSETS	$ 120,865	$ 503,449	$ 225,364	$ 398,950
LIABILITIES:				
Tax Refunds Payable	$ 264	$ 257	$ 171	$ 350
Accounts Payable and Accrued Liabilities	1,116	14,894	13,970	2,040
Due To Other Governments	6,470	118,310	118,126	6,654
Due To Other Funds	15	15,124	15,092	47
Deferred Revenue	-	182	182	-
Claims and Judgments Payable	374	47	40	381
Notes, Bonds, and COP's Payable	-	242	242	-
Other Current Liabilities	107,956	405,178	128,046	385,088
Deposits Held In Custody For Others	3,891	1,294	1,495	3,690
Other Long-Term Liabilities	779	4	83	700
TOTAL LIABILITIES	$ 120,865	$ 555,532	$ 277,447	$ 398,950

DEPARTMENT OF TREASURY AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 319,646	$ 488,220	$ 435,889	$ 371,977
Due From Other Funds	8,510	15,039	8,510	15,039
TOTAL ASSETS	$ 328,156	$ 503,259	$ 444,399	$ 387,016
LIABILITIES:				
Accounts Payable and Accrued Liabilities	$ -	$ 122	$ 122	$ -
Other Current Liabilities	271,208	504,568	436,356	339,420
Deposits Held In Custody For Others	56,948	467	9,819	47,596
TOTAL LIABILITIES	$ 328,156	$ 505,157	$ 446,297	$ 387,016

TOTALS - ALL AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 505,526	$ 3,202,811	$ 2,868,793	$ 839,544
Taxes Receivable, net	119,241	35,445	14,781	139,905
Other Receivables, net	628	945	1,059	514
Due From Other Funds	8,510	15,040	8,511	15,039
Inventories	4	40	41	3
Other Long-Term Assets	17,909	2,588	1,113	19,384
TOTAL ASSETS	$ 651,818	$ 3,256,869	$ 2,894,298	$ 1,014,389
LIABILITIES:				
Tax Refunds Payable	$ 2,729	$ 4,273	$ 1,128	$ 5,874
Accounts Payable and Accrued Liabilities	1,116	15,016	14,092	2,040
Due To Other Governments	199,038	3,420,886	3,397,758	222,166
Due To Other Funds	15	15,124	15,092	47
Deferred Revenue	-	182	182	-
Claims and Judgments Payable	458	4,166	4,002	622
Notes, Bonds, and COP's Payable	-	242	242	-
Other Current Liabilities	379,164	909,746	564,402	724,508
Deposits Held In Custody For Others	60,839	1,761	11,314	51,286
Other Long-Term Liabilities	8,459	103	716	7,846
TOTAL LIABILITIES	$ 651,818	$ 4,371,499	$ 4,008,928	$ 1,014,389

COMPONENT UNITS

The following statements present the nonmajor component units aggregated in the combined component unit statements beginning on page 66. Descriptions of each of the nonmajor component units can be found in Note 37 on page 143.

COMBINING STATEMENT OF NET ASSETS
OTHER COMPONENT UNITS (NONMAJOR)
JUNE 30, 2010

(DOLLARS IN THOUSANDS)	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COVER COLORADO	VENTURE CAPITAL AUTHORITY
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 2,020	$ 9,257	$ 6,007
Investments	-	58,291	-
Taxes Receivable, net	2	-	-
Contributions Receivable, net	-	-	4,243
Other Receivables, net	76	1,010	23
Prepaids, Advances, and Deferred Charges	21	-	-
Total Current Assets	2,119	68,558	10,273
Noncurrent Assets:			
Investments	-	-	16,117
Other Long-Term Assets	408	-	16,600
Depreciable Capital Assets and Infrastructure, net	126,327	18	-
Land and Nondepreciable Infrastructure	20,256	-	-
Total Noncurrent Assets	146,991	18	32,717
TOTAL ASSETS	149,110	68,576	42,990
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	100	1,026	30
Deferred Revenue	-	3,878	4,243
Claims and Judgments Payable	-	14,171	-
Notes, Bonds, and COP's Payable	227	-	-
Other Current Liabilities	10	-	-
Total Current Liabilities	337	19,075	4,273
Noncurrent Liabilities:			
Notes, Bonds, and COP's Payable	968	-	-
Other Long-Term Liabilities		-	16,600
Total Noncurrent Liabilities	968	-	16,600
TOTAL LIABILITIES	1,305	19,075	20,873
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	145,378	18	-
Restricted for:			
Emergencies	21	-	-
Court Awards and Other Purposes	-	49,483	-
Unrestricted	2,406	-	22,117
TOTAL NET ASSETS	$ 147,805	$ 49,501	$ 22,117

RENEWABLE ENERGY AUTHORITY	HIGHER EDUCATION COMPETITIVE RESEARCH AUTHORITY	STATEWIDE INTERNET PORTAL AUTHORITY	TOTAL
$ 14	$ 559	$ 636	$ 18,493
-	-	-	58,291
-	-	-	2
-	-	-	4,243
-	-	222	1,331
-	-	15	36
14	559	873	82,396
2,978	-	-	19,095
-	-	-	17,008
-	-	38	126,383
-	-	-	20,256
2,978	-	38	182,742
2,992	559	911	265,138
-	-	35	1,191
-	-	36	8,157
-	-	-	14,171
-	-	-	227
-	-	-	10
-	-	71	23,756
-	-	-	968
-	-	-	16,600
-	-	-	17,568
-	-	71	41,324
-	-	38	145,434
-	-	-	21
2,992	559	-	53,034
-	-	802	25,325
$ 2,992	$ 559	$ 840	$ 223,814

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS OTHER COMPONENT UNITS (NONMAJOR) FOR THE YEAR ENDED JUNE 30, 2010

(DOLLARS IN THOUSANDS)	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COVER COLORADO	VENTURE CAPITAL AUTHORITY
OPERATING REVENUES:			
Fees	$ -	$ 65,053	$ -
Investment Income (Loss)	-	-	(150)
Rental Income	717	-	-
Federal Grants and Contracts	-	2,204	-
Other	-	-	-
TOTAL OPERATING REVENUES	717	67,257	(150)
OPERATING EXPENSES:			
Operating and Travel	111	86,670	108
Depreciation and Amortization	4,091	12	-
TOTAL OPERATING EXPENSES	4,202	86,682	108
OPERATING INCOME (LOSS)	(3,485)	(19,425)	(258)
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income (Loss)	1	678	153
Gifts and Donations	-	5,000	4,339
Other Expenses	(12)	-	-
Other Revenues	442	24,256	-
TOTAL NONOPERATING REVENUES (EXPENSES)	431	29,934	4,492
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(3,054)	10,509	4,234
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Transfers-In	-	-	-
Transfers-Out	-	-	-
TOTAL CONTRIBUTIONS AND TRANSFERS	-	-	-
CHANGE IN NET ASSETS	(3,054)	10,509	4,234
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	150,859	38,992	17,883
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 147,805	$ 49,501	$ 22,117

RENEWABLE ENERGY AUTHORITY	HIGHER EDUCATION COMPETITIVE RESEARCH AUTHORITY	STATEWIDE INTERNET PORTAL AUTHORITY	TOTAL
$ -	$ -	$ 1,087	$ 66,140
6	2	-	(142)
-	-	-	717
-	-	-	2,204
1,200	1,329	-	2,529
1,206	1,331	1,087	71,448
1,426	804	942	90,061
-	-	-	4,103
1,426	804	942	94,164
(220)	527	145	(22,716)
-	-	-	832
-	-	-	9,339
-	-	-	(12)
-	-	-	24,698
-	-	-	34,857
(220)	527	145	12,141
-	-	-	-
-	-	-	-
-	-	-	-
(220)	527	145	12,141
3,212	32	695	211,673
$ 2,992	$ 559	$ 840	$ 223,814

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, 2010

(DOLLARS IN THOUSANDS)	LAND	LAND AND LEASEHOLD IMPROVEMENTS	BUILDINGS	LIBRARY BOOKS AND COLLECTIONS
GENERAL GOVERNMENT				
Governor's Office	$ -	$ 92	$ -	$ -
Legislature	-	13	-	-
Military Affairs	1,655	1,726	30,473	-
Personnel & Administration	5,739	2,434	79,096	-
Revenue	-	1,816	1,220	-
Subtotal	7,394	6,081	110,789	-
BUSINESS, COMMUNITY & CONSUMER AFFAIRS				
Agriculture	102	-	1,755	-
[1]GOV, GEO, OED	-	-	-	27
Labor and Employment	543	218	7,390	-
Local Affairs	-	94	1,284	-
Regulatory Agencies	-	-	-	-
Revenue	536	-	1,055	-
State	-	-	-	-
Subtotal	1,181	312	11,484	27
EDUCATION				
Education	152	69	7,082	1,545
Higher Education	1,842	1,166	5,376	8,928
Subtotal	1,994	1,235	12,458	10,473
HEALTH AND REHABILITATION				
Public Health and Environment	188	76	6,127	-
Human Services	3,068	4,321	27,769	-
Subtotal	3,256	4,397	33,896	-
JUSTICE				
Corrections	3,872	3,268	491,272	-
DHS, Division of Youth Services	1,675	1,323	101,091	-
Judicial	1,605	391	-	605
Law	-	-	-	-
Public Safety	1,399	353	22,056	-
Subtotal	8,551	5,335	614,419	605
NATURAL RESOURCES				
Natural Resources	106,770	38,337	34,921	-
SOCIAL ASSISTANCE				
Human Services	-	479	1,574	-
Military Affairs	36	2,010	2,200	-
Health Care Policy and Finance	-	-	-	-
Subtotal	36	2,489	3,774	-
TRANSPORTATION				
Transportation	15,086	170	95,686	-
TOTAL CAPITAL ASSETS	$ 144,268	$ 58,356	$ 917,427	$ 11,105

[1]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
$ 27,536	$ 5,311	$ 560	$ -	$ -	$ 33,499
442	69	-	-	-	524
492	8	-	9,926	-	44,280
62,116	125	-	157	-	149,667
2,093	8,719	-	10,533	-	24,381
92,679	14,232	560	20,616	-	252,351
1,548	90	-	254	-	3,749
80	-	-	-	-	107
1,861	1,225	2,794	3,006	-	17,037
239	262	-	-	-	1,879
208	71	-	-	-	279
30	2	-	-	-	1,623
3,491	-	-	-	-	3,491
7,457	1,650	2,794	3,260	-	28,165
1,136	1,275	-	49,166	-	60,425
1,842	16	-	36,604	56	55,830
2,978	1,291	-	85,770	56	116,255
3,475	400	2,452	6,934	-	19,652
2,345	-	61	17,835	-	55,399
5,820	400	2,513	24,769	-	75,051
8,521	43	695	158,351	-	666,022
373	-	-	185	-	104,647
3,139	485	798	15,660	-	22,683
105	-	-	-	-	105
7,054	405	143	1,287	-	32,697
19,192	933	1,636	175,483	-	826,154
6,207	31	6,290	4,784	33,118	230,458
3,485	65,747	-	83,930	-	155,215
8	-	-	-	-	4,254
35	(2)	-	-	-	33
3,528	65,745	-	83,930	-	159,502
120,190	11,965	-	214,773	9,181,334	9,639,204
$ 258,051	$ 96,247	$ 13,793	$ 613,385	$ 9,214,508	$ 11,327,140

OTHER FUNDS DETAIL

In the combined and combining statements several fund categories show a column titled "Other". The schedule on the following pages provides 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, 2010

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
OTHER PERMANENT FUNDS				
Wildlife for Future Generations (Nonexpendable)	33-1-112(7)	$ 6,141	$ -	$ 6,141
Wildlife for Future Generations (Expendable)	33-1-112	1,316	1	1,315
Other Permanent-Nonexpendable	Various	760	-	760
Veterans Monument Preservation	24-80-1401	65	-	65
Hall Historical Marker-Nonexpendable	24-80-209	9	-	9
Total Other Permanent Funds		$ 8,291	$ 1	$ 8,290
OTHER PRIVATE PURPOSE TRUST FUNDS				
Supplemental Purse & Breeders Awards	12-60-704	606	-	606
Early Intervention Services	27-10.5-706	6,436	6,206	230
Brand Estray Fund	35-41-102	203	1	202
Americans with Disabilities Act Contractor Settlement	24-34-301	151	-	151
Colorado Combined Campaign Administration	Restricted	67	22	45
Total Other Private Purpose Funds		$ 7,463	$ 6,229	$ 1,234
OTHER ENTERPRISE FUNDS				
Statewide Bridge Enterprise Special Revenue Fund	43-4-805(3)	87,186	40,229	46,957
Capitol Parking Fund	None	15,429	7,678	7,751
Transportation Enterprise Special Revenue Fund	43-4-806(3)	4,416	80	4,336
Brand Inspection Fund	35-41-102	4,981	3,163	1,818
Transportation Enterprise Operating Fund	43-4-806(4)	1,852	59	1,793
Business Enterprise Program	None	820	98	722
Grounds Cash Fund	26-1-133.5(2)	844	148	696
Clean Screen Authority	42-3-304(19)	503	-	503
Enterprise Services	24-80-209	313	114	199
Work Therapy	None	71	20	51
Other Enterprise Funds	Various	21	-	21
Conference & Training	None	12	1	11
Total Other Enterprise Funds		$ 116,448	$ 51,590	$ 64,858
OTHER SPECIAL REVENUE FUNDS				
Aviation Fund	43-10-109	31,324	2,989	28,335
Travel and Tourism Additional	24-49.7-106	19,180	470	18,710
Species Conservation-Capital Account	24-33-111(2)	18,480	-	18,480
Gear Up Scholarship Trust Fund	Restricted	16,325	3	16,322
Federal Tax Relief Act - 2003	Restricted	13,609	153	13,456
Supreme Court Committee	Court Rule 227	17,400	4,239	13,161
Victims Assistance	24-4.2-104	11,712	27	11,685
Species Conservation-Operating & Maintance Account	24-33-111(2)	11,759	199	11,560
Clean Energy Fund	24-75-1201(1)	10,078	866	9,212
Victims Compensation	24-4.1-124	8,289	22	8,267
Help America Vote Fund	HAVA 2002	7,431	325	7,106
Justice Center Cash Fund	13-32-101(7)	6,679	-	6,679
Disaster Emergency Fund	24-32-2106	5,492	-	5,492
Consumer Protection -Custodial Funds	6-1-103	5,463	-	5,463
Auto Theft Prevention Cash Fund	42-5-112(4A)	6,074	663	5,411
Economic Development Fund	None	5,518	240	5,278
Ballot Information Publication & Distribution Fund	1-40-124.5	5,009	1	5,008
Old Age Pension Stabilization	26-2-116	5,000	-	5,000
Offender Services	16-11-214	4,990	-	4,990
Secretary of State Fees	24-21-104	8,108	3,256	4,852
Judicial Stabilization Cash Fund	13-32-101	4,058	-	4,058

(continued)

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET ASSETS FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, AND SPECIAL REVENUE FUNDS JUNE 30, 2010

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
Other Expendable Trusts	Various	31,297	27,520	3,777
Operating Vouchers	None	3,700	504	3,196
Conveyance Safety Fund	9-5.5-111(2)	3,186	-	3,186
Cumulative Surplus-HUD Section 8 Voucher	29-4-708(K)	3,131	67	3,064
Court Security Cash Fund	13-1-204(1)	3,360	977	2,383
Division of Registrations Cash Fund	24-34-105	18,459	16,127	2,332
Housing Rehabilitation Revolving Loans	29-4-728	2,261	-	2,261
Parks Aquatic Nuisance Species	33-10.5-108	2,493	412	2,081
Donations	25-1-107(U)	11,131	9,068	2,063
Alternative Fuels Rebate	39-33-105	2,010	-	2,010
Innovative Higher Education Research Fund	23-19.7-104	1,988	-	1,988
Patient Benefit Fund	None	1,990	3	1,987
Real Estate Proceeds	28-3-106	1,955	5	1,950
Travel and Tourism Additional	24-49.7-106	1,982	36	1,946
Traumatic Brain Injury Fund	26-1-210(1)	2,653	724	1,929
Fixed Utilities	40-2-114	2,634	768	1,866
Victims' Assistance	24-33.5-506	2,032	213	1,819
Texaco Oil Overcharge Fund	None	1,671	-	1,671
Transportation Renovation	43-1-210 6(B)	1,665	-	1,665
Small Business Loan Investment and Development	36-1-153(1)	1,711	56	1,655
Inspection & Consumer Service Cash Fund	35-1-106.5	2,484	893	1,591
Fire Safety Inspection	24-35.5-1207	1,609	87	1,522
State Supplemental Security Income Stabilizaton	26-2-210(1)	1,519	-	1,519
Collaborative Management Incentive	24-1.9-104(1)	1,654	157	1,497
Motor Carrier	40-2-110.5	1,739	264	1,475
Violent Offender Identification Fund	24-33.5-415	1,432	46	1,386
Law Examiner Board Fund	Court Rule 201	1,363	-	1,363
Persistent Drunk Driver	42-3-130.5	1,603	240	1,363
Colorado Bureau of Investigation Identification Unit	Restricted	1,824	512	1,312
Electronic Procurement Program	24-102-202.5	1,268	5	1,263
Agriculture Management	35-1-106.9	1,193	32	1,161
State Patrol Contraband	24-33.5-225	1,308	210	1,098
Library Trust Fund	24-90-105	1,103	7	1,096
Section 8 Pre-Federal Fiscal Year 2004	None	1,085	-	1,085
Colorado Dealer License Board	12-6-123	1,246	163	1,083
Drug Offender Surcharge Fund	18-19-103(4)	1,700	637	1,063
Waste Tire Cleanup Fund	24-32-114(1)	1,003	3	1,000
Abandoned Mine Reclamation	34-34-102(1)	966	16	950
Public School Transportation	22-51-103(1)	1,249	341	908
Domestic Abuse Program	39-22-802	924	23	901
Continuing Legal Education Fund Balance	Court Rule 260	873	-	873
Advance Technology Fund	25-16.5-105	1,094	235	859
Agriculture Value-Added Fund	35-75-205	918	77	841
Liquor Law Enforcement	24-35-401	946	136	810
Uniform Commercial Credit Code Custodial Funds	Restricted	810	5	805
Howard Fund	26-8-104(1)C	717	1	716
Judicial Performance Cash Fund	13-5.5-107	831	121	710
Drug Offender Treatment Fund	18-19-103	682	-	682

(continued)

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET ASSETS FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, AND SPECIAL REVENUE FUNDS JUNE 30, 2010

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
Division of Securities Cash Fund	11-51-707	2,058	1,440	618
Older Coloradans Cash Fund	26-11-205.5	1,680	1,078	602
Attorney's Fees And Costs	24-31-108(2)	589	-	589
Historical Society Unrestricted	24-80-209	592	5	587
Judicial Information Technology Cash	13-32-114	579	-	579
Home Grant Revolving Loan Fund	None	7,273	6,696	577
Public Deposit Administration	11-10.5-112	885	309	576
Conservation District Grants	35-1-106.7(1)	599	34	565
Policie Officers Standards Training Board	24-31-303(2)	602	45	557
Alcohol/Drug Driving Safety	42-4-1301.3	550	-	550
Plant Health, Pest Control, and Environmental Protection	35-1-106.3(1)	2,274	1,731	543
Waste Tire Recycling Fund	25-17-202(3)	531	1	530
Public School Energy Efficiciency	39-29-109.5	528	25	503
Colorado Innovation Investment Tax Credit	24-48.5-112	463	8	455
Charter School Capital Construction Assistance	22-30.5-515	445	-	445
Colorado Family Support Loan	27-10.5-502	432	-	432
Exxon Oil Overcharge Funds	None	414	-	414
Western Slope Military Veterans' Cemetary	28-5-708	339	(65)	404
Legislative Expenses Fund	2-3-1002(1)	379	-	379
Process & End Users Waste Tire	Various	374	-	374
Uniform Consumer Credit Code	5-6-204	464	90	374
Housing Development Grant Fund	24-32-721	767	422	345
Diseased Livestock Fund	35-50-140.5	332	-	332
Building Regulation Fund	24-32-3309	372	44	328
Foreclosure Prevention Grants	24-32-719	333	10	323
Agricultural Products Inspectn	35-23-114(3)	661	349	312
Public Safety Inspection	8-1-151	306	-	306
Conservation Trust Fund	Ex. Order 56-87	12,491	12,191	300
Educator Licensure Cash Fund	22-60.5-112	396	111	285
Racing Cash Fund	12-60-205	381	109	272
Identity Theft Financial Fraud	None	299	38	261
Start Smart Nutrition Program	22-82.7-105	297	37	260
Colorado Bureau of Investigation Contraband	24-33.5-415	261	2	259
Organ & Tissue Donation Awareness	42-2-107(4)	255	-	255
Diamond Shamrock Settlement	None	242	-	242
Closing Achievement Gap Fund	22-7-613	280	40	240
Low Income Telephone Assistance	40-3.4-108(2)	234	-	234
Financial Services Cash Fund	11-40-106(2)	948	715	233
Controlled Maintenance Trust-Nonexpendable	24-75-302.5	223	-	223
Vickers Oil Overcharge Funds	Executive Order 56-8	219	-	219
Notary Administration	12-55-102.5	236	23	213
Family Support Registry Fund	26-13-115.5	207	-	207
Supplier Database Cash Fund	24-102-202.5	212	11	201
138 Funds with Net Assets Below $200,000		32,227	27,039	5,188
Total Other Special Revenue Funds		$ 432,659	$ 126,682	$ 305,977

Statistical Section

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2010

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 Nine Fiscal Years

(DOLLARS IN THOUSANDS)

	2009-10	2008-09	2007-08
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 1,962,934	$ 2,217,711	$ 2,632,601
Investments	15,224	1,498	565
Taxes Receivable, net	857,246	920,086	946,077
Other Receivables, net	158,060	182,540	188,347
Due From Other Governments	516,248	475,997	355,519
Internal Balances	14,153	14,617	14,545
Due From Component Units	84	66	63
Inventories	16,468	16,183	16,703
Prepaids, Advances, and Deferred Charges	38,591	33,244	23,790
Total Current Assets	3,579,008	3,861,942	4,178,210
Noncurrent Assets:			
Restricted Assets:			
Restricted Cash and Pooled Cash	1,572,925	1,813,365	2,061,543
Restricted Investments	687,314	694,311	620,325
Restricted Receivables	195,753	184,120	187,018
Investments	529,059	98,815	96,743
Other Long-Term Assets	644,867	600,020	442,911
Depreciable Capital Assets and Infrastructure, net	9,689,916	2,360,036	2,282,645
Land and Nondepreciable Infrastructure	1,637,224	10,480,438	10,291,250
Total Noncurrent Assets	14,957,058	16,231,105	15,982,435
TOTAL ASSETS	18,536,066	20,093,047	20,160,645
DEFERRED OUTFLOW OF RESOURCES:	-	-	-
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	664,781	633,722	561,117
Accounts Payable and Accrued Liabilities	847,550	779,008	837,311
TABOR Refund Liability (Note 8B)	706	706	706
Due To Other Governments	181,684	223,415	183,696
Due To Component Units	-	-	-
Deferred Revenue	128,404	150,632	97,174
Accrued Compensated Absences	10,287	8,930	9,776
Claims and Judgments Payable	44,181	36,936	37,775
Leases Payable	11,384	8,227	6,002
Notes, Bonds, and COP's Payable	642,445	637,066	574,150
Other Current Liabilities	20,432	9,818	11,794
Total Current Liabilities	2,551,854	2,488,460	2,319,501
Noncurrent Liabilities:			
Deposits Held In Custody For Others	13	16	16
Accrued Compensated Absences	138,224	140,675	128,760
Claims and Judgments Payable	347,394	358,371	335,636
Capital Lease Payable	85,746	83,586	54,029
Capital Lease Payable To Component Units	-	-	-
Derivative Instrument Liability	-	-	-
Notes, Bonds, and COP's Payable	1,554,964	1,146,960	1,274,720
Due to Component Units	-	-	-
Other Postemployment Benefits	-	-	-
Other Long-Term Liabilities	402,599	397,774	217,793
Total Noncurrent Liabilities	2,528,940	2,127,382	2,010,954
TOTAL LIABILITIES	5,080,794	4,615,842	4,330,455
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	10,118,621	11,631,061	11,348,995
Restricted for:			
Highway Construction and Maintenance	1,198,849	1,220,524	1,350,485
State Education	194,586	338,365	353,149
Unemployment Insurance	-	-	-
Debt Service	4,093	558	558
Emergencies	94,000	93,550	93,000
Permanent Funds and Endowments:			
Expendable	11,130	8,588	2,333
Nonexpendable	643,148	623,619	587,733
Court Awards and Other Purposes	138,826	197,918	231,532
Unrestricted	1,052,019	1,363,022	1,862,405
TOTAL NET ASSETS	$ 13,455,272	$ 15,477,205	$ 15,830,190

(Continued)

GOVERNMENTAL ACTIVITIES

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
$ 2,455,425	$ 2,334,948	$ 1,944,751	$ 1,387,469	$ 712,256	$ 571,293
998	12,637	10,440	10,209	-	-
956,149	845,241	731,647	738,769	758,887	809,839
153,218	153,916	146,906	143,717	104,475	125,181
280,637	264,688	307,704	282,252	515,860	378,906
13,756	26,313	18,122	22,070	(98,203)	20,287
65	56	110	-	-	-
14,053	14,906	18,266	16,696	17,580	16,895
28,527	28,735	23,700	29,628	27,413	99,893
3,902,828	3,681,440	3,201,646	2,630,810	2,038,268	2,022,294
1,689,703	1,349,184	1,199,258	1,360,083	1,236,865	1,306,432
552,211	491,780	465,819	408,790	571,970	-
279,140	335,774	311,462	347,245	-	-
80,695	48,173	24,162	4,055	152,495	1,142,818
425,886	395,612	356,325	325,376	332,964	244,499
1,288,308	1,322,945	1,348,957	1,208,235	1,191,785	1,138,996
11,799,975	11,649,792	11,613,109	11,583,157	11,032,850	10,827,222
16,115,918	15,593,260	15,319,092	15,236,941	14,518,929	14,659,967
20,018,746	19,274,700	18,520,738	17,867,751	16,557,197	16,682,261
-	-	-	-	-	-
486,576	457,124	476,445	425,610	431,132	384,040
694,602	633,685	679,425	687,136	684,956	569,102
727	2,917	41,064	-	-	48,920
176,864	247,548	192,611	172,239	151,989	172,691
-	-	-	-	-	-
65,389	66,290	73,609	84,431	114,149	84,906
9,533	9,437	7,900	7,992	7,394	6,123
40,948	49,415	38,738	12,084	14,743	35,576
2,807	1,461	3,403	2,821	3,492	1,298
457,250	526,235	628,395	419,778	21,125	19,530
9,615	10,318	25,092	37,152	33,987	37,050
1,944,311	2,004,430	2,166,682	1,849,243	1,462,967	1,359,236
17	17	16	10	8	12
116,262	112,860	111,418	112,104	113,548	112,027
295,874	343,452	430,978	29,200	29,200	-
27,649	16,021	18,905	13,219	5,054	2,175
-	-	-	-	-	-
-	-	-	-	-	-
1,390,671	1,503,686	1,467,924	1,540,053	1,309,153	1,328,072
-	-	-	-	-	-
-	-	-	-	-	-
206,972	210,369	198,520	516,756	501,390	263,034
2,037,445	2,186,405	2,227,761	2,211,342	1,958,353	1,705,320
3,981,756	4,190,835	4,394,443	4,060,585	3,421,320	3,064,556
11,804,908	11,662,529	11,771,877	11,747,276	11,444,442	10,633,044
1,196,903	824,698	679,440	559,450	509,354	1,376,522
225,818	153,043	123,867	147,286	218,545	303,827
-	-	-	-	-	-
558	580	3,298	7,965	5,241	6,495
85,760	79,800	71,000	172,202	150,762	81,917
1,782	1,642	1,953	1,297	986	810
515,997	460,473	433,538	392,542	378,369	356,004
299,777	198,996	141,933	134,658	95,135	16,006
1,905,487	1,702,104	899,389	644,490	333,043	843,080
$ 16,036,990	$ 15,083,865	$ 14,126,295	$ 13,807,166	$ 13,135,877	$ 13,617,705

GOVERNMENT-WIDE
SCHEDULE OF NET ASSETS
PRIMARY GOVERNMENT
Last Nine Fiscal Years

(DOLLARS IN THOUSANDS)

	2009-10	2008-09	2007-08
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 1,176,181	$ 1,220,190	$ 1,555,782
Investments	253,270	386,948	272,804
Taxes Receivable, net	90,005	73,326	82,431
Other Receivables, net	282,053	245,768	239,790
Due From Other Governments	158,787	142,961	125,894
Internal Balances	(14,153)	(14,617)	(14,545)
Due From Component Units	14,474	12,630	16,348
Inventories	42,779	42,467	42,271
Prepaids, Advances, and Deferred Charges	19,244	20,091	17,055
Total Current Assets	2,022,640	2,129,764	2,337,830
Noncurrent Assets:			
Restricted Assets:			
Restricted Cash and Pooled Cash	353,164	368,308	446,681
Restricted Investments	239,719	201,025	259,115
Restricted Receivables	239,041	1,916,974	1,716,722
Investments	1,206,671	1,154,901	1,008,382
Other Long-Term Assets	119,387	123,599	119,650
Depreciable Capital Assets and Infrastructure, net	3,912,771	3,594,383	3,464,979
Land and Nondepreciable Infrastructure	1,207,048	928,243	576,755
Total Noncurrent Assets	7,277,801	8,287,433	7,592,284
TOTAL ASSETS	9,300,441	10,417,197	9,930,114
DEFERRED OUTFLOW OF RESOURCES:	7,778	-	-
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	-	-	-
Accounts Payable and Accrued Liabilities	596,926	506,318	467,741
TABOR Refund Liability (Note 8B)	-	-	-
Due To Other Governments	406,275	182,922	26,885
Due To Component Units	466	930	1,112
Deferred Revenue	232,371	207,551	190,528
Accrued Compensated Absences	13,035	12,753	12,745
Claims and Judgments Payable	-	-	7,398
Leases Payable	6,672	6,282	5,976
Notes, Bonds, and COP's Payable	100,329	85,456	75,567
Other Current Liabilities	126,232	241,129	208,542
Total Current Liabilities	1,482,306	1,243,341	996,494
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	-	-
Accrued Compensated Absences	196,295	185,420	166,402
Claims and Judgments Payable	29,461	27,541	28,482
Capital Lease Payable	76,702	83,206	83,113
Capital Lease Payable To Component Units	-	4,285	4,285
Derivative Instrument Liability	7,778	-	
Notes, Bonds, and COP's Payable	2,682,987	3,917,559	3,466,484
Due to Component Units	2,501	723	1,233
Other Postemployment Benefits	47,259	31,689	15,775
Other Long-Term Liabilities	36,450	43,321	40,756
Total Noncurrent Liabilities	3,079,433	4,293,744	3,806,530
TOTAL LIABILITIES	4,561,739	5,537,085	4,803,024
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	2,854,803	2,665,270	2,411,662
Restricted for:			
Highway Construction and Maintenance	-	-	-
State Education	-	-	-
Unemployment Insurance	-	392,984	765,533
Debt Service	6,100	111,778	180,409
Emergencies	16,257	21,282	33,716
Permanent Funds and Endowments:			
Expendable	6,825	6,935	9,592
Nonexpendable	71,738	70,420	74,479
Court Awards and Other Purposes	630,890	582,006	491,492
Unrestricted	1,159,867	1,029,437	1,160,207
TOTAL NET ASSETS	$ 4,746,480	$ 4,880,112	$ 5,127,090

(Continued)

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
2,239,876	1,965,652	1,988,370	1,255,149	1,269,743	2,226,024
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
6,886,198	6,061,601	5,096,796	4,926,605	4,729,719	3,468,217
9,126,074	8,027,253	7,085,166	6,181,754	5,999,462	5,694,241
-	-	-	-	-	-
-	-	-	-	-	-
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
855,184	787,471	757,133	706,449	666,115	571,612
-	-	-	-	-	-
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
3,400,072	2,782,982	2,350,862	1,858,565	1,828,643	1,507,962
4,255,256	3,570,453	3,107,995	2,565,014	2,494,758	2,079,574
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
$ 4,870,818	$ 4,456,800	$ 3,977,171	$ 3,616,740	$ 3,504,704	$ 3,614,667

GOVERNMENT-WIDE
SCHEDULE OF NET ASSETS
PRIMARY GOVERNMENT
Last Nine Fiscal Years

(DOLLARS IN THOUSANDS)

	2009-10	2008-09	2007-08
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 3,139,115	$ 3,437,901	$ 4,188,383
Investments	268,494	388,446	273,369
Taxes Receivable, net	947,251	993,412	1,028,508
Other Receivables, net	440,113	428,308	428,137
Due From Other Governments	675,035	618,958	481,413
Internal Balances	-	-	-
Due From Component Units	14,558	12,696	16,411
Inventories	59,247	58,650	58,974
Prepaids, Advances, and Deferred Charges	57,835	53,335	40,845
Total Current Assets	5,601,648	5,991,706	6,516,040
Noncurrent Assets:			
Restricted Assets:			
Restricted Cash and Pooled Cash	1,926,089	2,181,673	2,508,224
Restricted Investments	927,033	895,336	879,440
Restricted Receivables	434,794	2,101,094	1,903,740
Investments	1,735,730	1,253,716	1,105,125
Other Long-Term Assets	764,254	723,619	562,561
Depreciable Capital Assets and Infrastructure, net	13,602,687	5,954,419	5,747,624
Land and Nondepreciable Infrastructure	2,844,272	11,408,681	10,868,005
Total Noncurrent Assets	22,234,859	24,518,538	23,574,719
TOTAL ASSETS	27,836,507	30,510,244	30,090,759
DEFERRED OUTFLOW OF RESOURCES:	7,778	-	-
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	664,781	633,722	561,117
Accounts Payable and Accrued Liabilities	1,444,476	1,285,326	1,305,052
TABOR Refund Liability (Note 8B)	706	706	706
Due To Other Governments	587,959	406,337	210,581
Due To Component Units	466	930	1,112
Deferred Revenue	360,775	358,183	287,702
Accrued Compensated Absences	23,322	21,683	22,521
Claims and Judgments Payable	44,181	36,936	45,173
Leases Payable	18,056	14,509	11,978
Notes, Bonds, and COP's Payable	742,774	722,522	649,717
Other Current Liabilities	146,664	250,947	220,336
Total Current Liabilities	4,034,160	3,731,801	3,315,995
Noncurrent Liabilities:			
Deposits Held In Custody For Others	13	16	16
Accrued Compensated Absences	334,519	326,095	295,162
Claims and Judgments Payable	376,855	385,912	364,118
Capital Lease Payable	162,448	166,792	137,142
Capital Lease Payable To Component Units	-	4,285	4,285
Derivative Instrument Liability	7,778	-	-
Notes, Bonds, and COP's Payable	4,237,951	5,064,519	4,741,204
Due to Component Units	2,501	723	1,233
Other Postemployment Benefits	47,259	31,689	15,775
Other Long-Term Liabilities	439,049	441,095	258,549
Total Noncurrent Liabilities	5,608,373	6,421,126	5,817,484
TOTAL LIABILITIES	9,642,533	10,152,927	9,133,479
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	12,973,424	14,296,331	13,760,657
Restricted for:			
Highway Construction and Maintenance	1,198,849	1,220,524	1,350,485
State Education	194,586	338,365	353,149
Unemployment Insurance	-	392,984	765,533
Debt Service	10,193	112,336	180,967
Emergencies	110,257	114,832	126,716
Permanent Funds and Endowments:			
Expendable	17,955	15,523	11,925
Nonexpendable	714,886	694,039	662,212
Court Awards and Other Purposes	769,716	779,924	723,024
Unrestricted	2,211,886	2,392,459	3,022,612
TOTAL NET ASSETS	$ 18,201,752	$ 20,357,317	$ 20,957,280

TOTAL PRIMARY GOVERNMENT

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
$ 3,886,261	$ 3,523,901	$ 2,817,369	$ 2,065,702	$ 1,467,135	$ 1,764,631
327,085	341,103	680,786	192,781	-	-
1,037,894	951,214	835,245	831,254	805,484	846,076
372,706	363,413	353,852	324,424	323,523	1,010,100
407,028	363,728	402,874	368,607	613,877	452,967
-	-	-	-	-	-
15,399	11,197	9,404	5,406	-	-
52,053	50,653	53,063	49,761	51,441	52,210
44,278	41,883	37,423	48,024	46,551	122,334
6,142,704	5,647,092	5,190,016	3,885,959	3,308,011	4,248,318
1,839,514	1,537,079	1,359,541	1,481,847	1,351,507	1,346,568
1,107,521	916,606	919,695	652,180	686,262	140,074
1,687,728	1,509,086	1,326,596	1,236,353	-	-
1,053,617	935,475	249,491	581,674	1,040,727	1,806,230
538,579	504,218	475,684	424,734	1,165,586	318,736
4,140,000	4,041,080	4,068,735	3,832,049	3,451,631	3,038,062
12,635,157	12,211,317	12,016,146	11,954,709	11,552,935	11,478,514
23,002,116	21,654,861	20,415,888	20,163,546	19,248,648	18,128,184
29,144,820	27,301,953	25,605,904	24,049,505	22,556,659	22,376,502
-	-	-	-	-	-
486,576	457,124	476,445	425,610	431,132	384,040
1,108,390	1,013,879	1,029,772	1,021,272	1,017,946	757,941
727	2,917	41,064	-	-	48,920
215,365	278,297	231,083	209,359	178,559	218,317
273	1,067	1,607	703	-	-
249,194	237,701	219,041	215,927	252,462	223,288
22,111	23,721	22,003	17,711	17,976	14,649
52,665	56,845	46,971	12,084	14,743	35,576
7,757	6,312	9,442	8,358	8,775	5,138
520,248	609,506	714,067	499,905	81,230	116,594
136,189	104,532	132,320	144,763	126,259	126,385
2,799,495	2,791,901	2,923,815	2,555,692	2,129,082	1,930,848
17	17	16	10	8	12
269,582	249,697	243,301	240,739	238,401	233,154
324,094	391,848	450,997	29,200	29,200	-
91,320	71,894	103,006	94,213	85,690	45,557
-	-	-	-	-	-
-	-	-	-	-	-
4,491,435	3,992,424	3,530,761	3,118,815	2,856,056	2,527,498
-	-	-	-	-	-
-	-	-	-	-	-
261,069	263,507	250,542	586,930	577,641	407,061
5,437,517	4,969,387	4,578,623	4,069,907	3,786,996	3,213,282
8,237,012	7,761,288	7,502,438	6,625,599	5,916,078	5,144,130
14,061,837	13,919,131	14,009,945	13,943,113	13,587,382	12,678,246
1,196,903	824,698	679,440	559,450	509,354	1,376,522
225,818	153,043	123,867	147,286	218,545	303,827
675,574	548,780	321,725	200,311	322,423	653,690
126,214	105,928	125,588	111,567	7,289	8,790
123,232	109,683	98,247	211,479	183,643	120,730
7,095	6,399	18,436	18,746	18,732	47,825
613,818	543,171	509,998	442,201	425,220	405,204
710,889	563,306	445,647	432,423	284,601	214,702
3,166,428	2,766,526	1,770,573	1,357,330	1,083,392	1,422,836
$ 20,907,808	$ 19,540,665	$ 18,103,466	$ 17,423,906	$ 16,640,581	$ 17,232,372

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET ASSETS
PRIMARY GOVERNMENT
Last Nine Fiscal Years

(DOLLARS IN THOUSANDS)

Functions/Programs	2009-10	2008-09	RESTATED 2007-08
PROGRAM REVENUES:			
Charges for Services:			
Licenses and Permits	$ 419,866	$ 386,311	$ 374,521
Service Fees	589,795	184,327	132,822
Education - Tuition, Fees, and Sales	-	53	-
Fines and Forfeits	218,892	203,259	155,692
Rents and Royalties	79,518	85,811	78,889
Sales of Products	3,854	5,040	4,592
Unemployment Surcharge	19,329	19,369	21,512
Other	67,460	61,168	57,622
Operating Grants and Contributions	5,885,657	5,065,429	4,222,670
Capital Grants and Contributions	607,383	485,711	439,693
TOTAL PROGRAM REVENUES	7,891,754	6,496,478	5,488,013
EXPENSES:			
General Government	189,865	308,410	217,939
Business, Community, and Consumer Affairs	662,854	705,037	667,381
Education	5,096,032	5,208,705	5,017,551
Health and Rehabilitation	659,187	644,699	603,296
Justice	1,527,857	1,543,310	1,436,009
Natural Resources	144,445	137,159	131,658
Social Assistance	6,091,958	5,220,295	4,660,287
Transportation	2,105,688	1,376,215	1,459,295
Payments to School Districts	-	-	-
Payments to Other Governments	-	-	-
Interest on Debt	33,203	20,393	37,567
Higher Education	-	-	-
Unemployment Insurance	-	-	-
CollegeInvest	-	-	-
Lottery	-	-	-
Wildlife	-	-	-
College Assist	-	-	-
Other Business-Type Activities	-	-	-
TOTAL EXPENSES	16,511,089	15,164,223	14,230,983
NET (EXPENSE) REVENUE	(8,619,335)	(8,667,745)	(8,742,970)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:			
Taxes:			
Sales and Use Taxes	1,987,576	2,093,113	2,357,807
Excise Taxes	244,344	251,209	257,908
Individual Income Tax	3,770,597	4,024,105	4,591,481
Corporate Income Tax	360,852	322,683	461,390
Other Taxes	376,388	655,478	510,442
Restricted Taxes	873,287	880,625	986,274
Unrestricted Investment Earnings (Losses)	10,215	22,591	42,478
Other General Revenues	112,138	119,748	113,603
Special and/or Extraordinary Items (See Note 33)	-	(5,616)	(6,843)
(Transfers-Out) / Transfers-In	(94,993)	(114,685)	(77,732)
Internal Capital Contributions	-	-	-
Permanent Fund Additions	357	-	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:	7,640,761	8,249,251	9,236,808
TOTAL CHANGES IN NET ASSETS	(978,574)	(418,494)	493,838
NET ASSETS - BEGINNING	15,477,205	15,830,190	16,036,990
Prior Period Adjustment	(594,624)	(118,647)	(393,912)
Accounting Changes	(448,735)	184,156	(306,726)
NET ASSETS - ENDING	$ 13,455,272	$ 15,477,205	$ 15,830,190

[1] – 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.

[2] – In Fiscal Year 2005-06, the State changed the funding method for Higher Education Institutions and amounts previously reported as transfers are now reported as service fees and tuition.

GOVERNMENTAL ACTIVITIES

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
$ 352,819	$ 339,779	$ 357,241	$ 353,628	$ 327,134	$ 310,343
129,980	123,392	128,101	132,644	117,253	105,932
-	-	-	-	-	-
126,612	121,859	117,666	109,341	99,654	87,994
68,270	68,920	61,524	45,340	32,314	31,673
3,703	3,100	2,841	3,164	2,296	3,001
22,346	22,399	21,524	20,112	19,500	19,630
64,964	79,810	54,254	55,216	47,264	72,996
4,122,360	3,909,382	3,684,878	3,601,808	3,552,745	3,166,623
414,602	447,283	409,458	487,442	410,070	352,125
5,305,656	5,115,924	4,837,487	4,808,695	4,608,230	4,150,317
163,412	164,276	141,320	161,588	244,062	210,837
565,769	449,411	367,553	343,589	327,935	253,054
4,771,218	4,394,236	194,723	173,823	194,436	285,636
560,153	524,736	475,668	477,572	475,405	471,198
1,313,767	1,197,334	1,026,282	936,374	971,227	957,320
138,457	112,753	62,638	81,114	103,888	103,801
4,496,696	4,348,466	3,016,668	2,954,217	2,830,164	2,608,748
1,213,138	1,205,556	919,388	746,153	890,081	750,759
-	- [1]	3,283,590	3,131,486	2,946,679	2,689,452
-	- [1]	1,848,922	1,674,416	1,687,006	1,596,066
42,269	31,969	26,925	9,625	16,219	16,750
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
13,264,879	12,428,737	11,363,677	10,689,957	10,687,102	9,943,621
(7,959,223)	(7,312,813)	(6,526,190)	(5,881,262)	(6,078,872)	(5,793,304)
2,244,000	2,148,981	1,980,785	1,920,934	1,829,380	1,881,162
261,711	266,747	182,726	112,741	86,048	91,761
4,508,845	4,044,581	3,450,493	3,253,027	2,996,597	3,168,499
470,853	422,656	291,583	220,236	205,569	172,257
484,408	568,184	491,214	465,826	371,089	363,190
946,757	922,872	868,251	835,680	731,138	818,234
43,638	35,372	29,736	16,534	16,577	37,236
84,328	84,335	95,912	99,200	146,516	122,527
(25,915)	(13,534)	(1,112)	-	-	(21,000)
(98,926)	(80,894) [2]	(545,175)	(546,580)	(634,674)	(662,141)
-	-	(431)	(20)	(22,855)	25
-	-	-	-	-	-
8,919,699	8,399,300	6,843,982	6,377,578	5,725,385	5,971,750
960,476	1,086,487	317,792	496,316	(353,487)	178,446
15,083,865	14,126,295	13,807,166	13,135,877	13,617,705	5,457,647
(7,351)	(128,917)	1,337	174,973	(128,341)	(172,615)
-	-	-	-	-	8,154,227
$ 16,036,990	$ 15,083,865	$ 14,126,295	$ 13,807,166	$ 13,135,877	$ 13,617,705

(Continued)

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET ASSETS
PRIMARY GOVERNMENT
Last Nine Fiscal Years

(DOLLARS IN THOUSANDS)

Functions/Programs	2009-10	2008-09	2007-08
PROGRAM REVENUES:			
Charges for Services:			
Licenses and Permits	$ 106,946	$ 119,611	$ 84,395
Service Fees	607,485	681,807	667,504
Education - Tuition, Fees, and Sales	1,999,358	1,957,505	1,867,806
Fines and Forfeits	2,836	1,118	999
Rents and Royalties	24,648	29,908	32,399
Sales of Products	590,758	560,364	579,935
Unemployment Surcharge	491,716	363,241	398,046
Other	167,930	173,354	165,804
Operating Grants and Contributions	3,957,310	2,214,186	1,728,669
Capital Grants and Contributions	24,619	20,220	9,426
TOTAL PROGRAM REVENUES	7,973,606	6,121,314	5,534,983
EXPENSES:			
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	4,451,541	4,153,282	3,865,244
Unemployment Insurance	2,496,188	1,138,621	354,967
CollegeInvest	68,650	78,647	116,286
Lottery	456,352	435,156	447,101
Wildlife	105,037	112,369	109,800
College Assist	410,027	399,576	326,080
Other Business-Type Activities	170,410	171,635	173,928
TOTAL EXPENSES	8,158,205	6,489,286	5,393,406
NET (EXPENSE) REVENUE	(184,599)	(367,972)	141,577
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:			
Taxes:			
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 33)	(79,575)	-	-
(Transfers-Out) / Transfers-In	94,993	114,685	77,732
Internal Capital Contributions	-	-	-
Permanent Fund Additions	-	-	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:	15,418	114,685	114,695
TOTAL CHANGES IN NET ASSETS	(169,181)	(253,287)	256,272
NET ASSETS - BEGINNING	4,880,112	5,127,090	4,870,818
Prior Period Adjustment	35,549	6,309	-
Accounting Changes	-	-	-
NET ASSETS - ENDING	$ 4,746,480	$ 4,880,112	$ 5,127,090

[2] – 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.

[3] – 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 [2]	273,541	242,809	188,614	153,983
1,734,996	1,622,045 [2]	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 [3]	-	-	-	-
199,677	115,200 [3]	-	-	-	-
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 [2]	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

(Continued)

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET ASSETS
PRIMARY GOVERNMENT
Last Nine Fiscal Years

(DOLLARS IN THOUSANDS)

Functions/Programs	2009-10	2008-09	RESTATED 2007-08
PROGRAM REVENUES:			
Charges for Services:			
Licenses and Permits	$ 526,812	$ 505,922	$ 458,916
Service Fees	1,197,280	866,134	800,326
Education - Tuition, Fees, and Sales	1,999,358	1,957,558	1,867,806
Fines and Forfeits	221,728	204,377	156,691
Rents and Royalties	104,166	115,719	111,288
Sales of Products	594,612	565,404	584,527
Unemployment Surcharge	511,045	382,610	419,558
Other	235,390	234,522	223,426
Operating Grants and Contributions	9,842,967	7,279,615	5,951,339
Capital Grants and Contributions	632,002	505,931	449,119
TOTAL PROGRAM REVENUES	15,865,360	12,617,792	11,022,996
EXPENSES:			
General Government	189,865	308,410	217,939
Business, Community, and Consumer Affairs	662,854	705,037	667,381
Education	5,096,032	5,208,705	5,017,551
Health and Rehabilitation	659,187	644,699	603,296
Justice	1,527,857	1,543,310	1,436,009
Natural Resources	144,445	137,159	131,658
Social Assistance	6,091,958	5,220,295	4,660,287
Transportation	2,105,688	1,376,215	1,459,295
Payments to School Districts	-	-	-
Payments to Other Governments	-	-	-
Interest on Debt	33,203	20,393	37,567
Higher Education	4,451,541	4,153,282	3,865,244
Unemployment Insurance	2,496,188	1,138,621	354,967
CollegeInvest	68,650	78,647	116,286
Lottery	456,352	435,156	447,101
Wildlife	105,037	112,369	109,800
College Assist	410,027	399,576	326,080
Other Business-Type Activities	170,410	171,635	173,928
TOTAL EXPENSES	24,669,294	21,653,509	19,624,389
NET (EXPENSE) REVENUE	(8,803,934)	(9,035,717)	(8,601,393)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:			
Taxes:			
Sales and Use Taxes	1,987,576	2,093,113	2,357,807
Excise Taxes	244,344	251,209	257,908
Individual Income Tax	3,770,597	4,024,105	4,591,481
Corporate Income Tax	360,852	322,683	461,390
Other Taxes	376,388	655,478	547,405
Restricted Taxes	873,287	880,625	986,274
Unrestricted Investment Earnings (Losses)	10,215	22,591	42,478
Other General Revenues	112,138	119,748	113,603
Special and/or Extraordinary Items (See Note 33)	(79,575)	(5,616)	(6,843)
(Transfers-Out) / Transfers-In	-	-	-
Internal Capital Contributions	-	-	-
Permanent Fund Additions	357	-	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:	7,656,179	8,363,936	9,351,503
TOTAL CHANGES IN NET ASSETS	(1,147,755)	(671,781)	750,110
NET ASSETS - BEGINNING	20,357,317	20,957,280	20,907,808
Prior Period Adjustment	(559,075)	(112,338)	(393,912)
Accounting Changes	(448,735)	184,156	(306,726)
NET ASSETS - ENDING	$ 18,201,752	$ 20,357,317	$ 20,957,280

TOTAL PRIMARY GOVERNMENT

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
$ 437,121	$ 415,167	$ 422,105	$ 419,824	$ 386,560	$ 367,889
705,535	659,653	401,642	375,453	305,867	259,915
1,734,997	1,622,045	1,294,488	1,227,187	1,143,890	1,062,083
127,786	122,588	118,262	109,895	100,679	89,373
94,541	97,685	83,051	90,123	48,890	52,757
524,541	525,815	469,929	453,074	443,198	462,318
425,987	526,438	483,940	358,175	209,961	172,654
205,340	241,855	174,399	172,898	177,503	328,966
5,807,777	5,375,427	5,088,806	4,945,999	4,951,146	4,342,628
436,865	464,139	426,125	561,394	438,732	399,327
10,500,490	10,050,812	8,962,747	8,714,022	8,206,426	7,537,910
163,412	164,276	141,320	161,588	244,062	210,837
565,769	449,411	367,553	343,589	327,935	253,054
4,771,218	4,394,236	194,723	173,823	194,436	285,636
560,153	524,736	475,668	477,572	475,405	471,198
1,313,767	1,197,334	1,026,282	936,374	971,227	957,320
138,457	112,753	62,638	81,114	103,888	103,801
4,496,696	4,348,466	3,016,668	2,954,217	2,830,164	2,608,748
1,213,138	1,205,556	919,388	746,153	890,081	750,759
-	-	3,283,590	3,131,486	2,946,679	2,689,452
-	-	1,848,922	1,674,416	1,687,006	1,596,066
42,269	31,969	26,925	9,625	16,219	16,750
3,661,270	3,446,716	3,294,154	3,128,126	3,108,493	2,942,776
316,577	305,447	352,712	591,789	742,745	583,508
96,720	73,745	54,453	37,355	45,213	41,351
401,969	402,391	367,474	354,159	341,907	349,955
96,515	91,221	-	-	-	-
199,677	115,200	-	-	-	-
163,727	138,773	267,408	246,988	253,633	229,773
18,201,334	17,002,230	15,699,878	15,048,374	15,179,093	14,090,984
(7,700,844)	(6,951,418)	(6,737,131)	(6,334,352)	(6,972,667)	(6,553,074)
2,244,000	2,148,981	1,980,785	1,920,934	1,829,380	1,881,162
261,711	266,747	182,726	112,741	86,048	91,761
4,508,845	4,044,581	3,450,493	3,253,027	2,996,597	3,168,499
470,853	422,656	291,583	220,236	205,569	172,257
523,854	602,912	491,214	465,826	371,089	363,190
946,757	922,872	868,251	835,680	731,138	818,234
43,638	35,372	29,736	16,534	16,577	37,236
84,328	84,335	95,912	99,200	146,516	122,527
(25,915)	(14,241)	(1,112)	-	-	(21,000)
-	-	-	-	-	-
-	-	9,872	15,310	53,355	151,490
-	-	-	-	-	-
9,058,071	8,514,215	7,399,460	6,939,488	6,436,269	6,785,356
1,357,227	1,562,797	662,329	605,136	(536,398)	232,282
19,540,665	18,103,466	17,423,906	16,640,581	17,232,372	10,345,572
9,916	(125,598)	17,231	178,189	(55,393)	(76,804)
-	-	-	-	-	6,731,322
$ 20,907,808	$ 19,540,665	$ 18,103,466	$ 17,423,906	$ 16,640,581	$ 17,232,372

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ALL GOVERNMENTAL FUND TYPES (AND EXPENDABLE TRUST FUNDS BEFORE FISCAL YEAR 2001-02)
Last Ten Fiscal Years

(DOLLARS IN MILLIONS)

	2009-10	2008-09[3]	2007-08	2006-07
REVENUES:				
Taxes	$ 7,640	$ 8,231	$ 9,203	$ 8,936
Less: Excess TABOR Revenues	-	-	-	-
Licenses, Permits, and Fines	734	701	643	575
Charges for Goods and Services	552	150	104	99
Rents (reported in 'Other' prior to FY05)	80	86	79	68
Investment Income	199	258	316	272
Federal Grants and Contracts	7,023	5,480	4,308	4,073
Unclaimed Property Receipts	42	58	-	-
Other	192	195	179	320
TOTAL REVENUES	16,462	15,159	14,832	14,343
EXPENDITURES:				
Current:				
General Government	775	511	123	251
Business, Community and Consumer Affairs	369	332	311	303
Education	855	879	802	713
Health and Rehabilitation	583	608	561	530
Justice	1,315	1,285	1,195	1,088
Natural Resources	126	121	112	107
Social Assistance	4,454	3,836	3,669	3,400
Transportation	1,017	1,074	1,055	950
Capital Outlay	240	308	243	124
Intergovernmental:				
Cities	281	294	289	239
Counties	2,253	2,043	1,799	1,721
School Districts	4,364	4,143	3,814	3,719
Other	219	185	258	242
Deferred Compensation Distributions	-	-	-	-
Debt Service[2]	194	189	208	213
TOTAL EXPENDITURES	17,045	15,808	14,439	13,600
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(583)	(649)	393	743
OTHER FINANCING SOURCES (USES)				
Transfers-In	5,333	5,179	4,298	4,202
Transfers-Out:				
Higher Education	-	(121)	(131)	(120)
Other	(5,389)	(5,162)	(4,237)	(4,137)
Face Amount of Debt Issued	559	-	-	-
Bond Premium/Discount	8	-	-	-
Capital Lease Debt Issuance	-	11	18	4
Sale of Capital Assets	-	-	1	-
Insurance Recoveries	4	2	2	1
Debt Refunding Issuance	-	-	-	-
Debt Refunding Payments	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	515	(91)	(49)	(50)
NET CHANGE IN FUND BALANCE	(68)	(740)	344	693
FUND BALANCE - BEGINNING	4,785	5,312	5,012	4,319
Prior Period Adjustments	(41)	(1)	(44)	-
Accounting Changes	-	214	-	-
FUND BALANCE - ENDING	$ 4,676	$ 4,785	$ 5,312	$ 5,012

[1] – Significant changes in the content of this schedule occurred between Fiscal Year 2000-01 and 2001-02. The changes occurred because of the revised fund classifications prescribed by Governmental Accounting Standards Board Statement No. 34 and related statements. The primary changes were the exclusion of the Unemployment Insurance Fund and the Deferred Compensation Plan (Expendable Trust Funds that converted to Enterprise and Private Purpose Trust Funds respectively) and the inclusion of the State Lands Fund (a Nonexpendable Trust Fund that converted to a Permanent Fund). As a result of these changes, the prior period adjustment shown for Fiscal Year 2001-02 does not agree to the Fiscal Year 2001-02 financial statements where beginning balances were restated for the conversion. In addition, the amount reported as transfers increased significantly because many transfers that previously occurred within the General Fund are now reported as transfers between funds.

2005-06	2004-05	2003-04	2002-03	2001-02[1]	2000-01
$ 8,396	$ 7,323	$ 6,794	$ 6,261	$ 6,499	$ 7,501
-	(41)	-	-	-	(927)
541	565	551	517	504	534
99	99	108	108	99	109
69	62	-	-	-	-
117	126	54	259	240	314
4,054	3,831	3,880	3,471	3,104	2,809
-	-	-	-	-	-
341	321	358	351	299	308
13,617	12,286	11,745	10,967	10,745	10,648
256	278	267	229	238	224
274	277	296	317	277	426
673	129	119	116	122	112
486	443	450	450	453	467
998	978	897	933	924	851
97	90	85	82	82	137
3,263	3,026	2,969	2,851	2,619	2,367
962	983	1,098	1,105	1,127	1,069
82	92	74	136	276	185
251	218	211	198	209	196
1,616	1,474	1,319	1,328	1,229	1,162
3,455	3,284	3,131	2,947	2,689	2,389
197	157	144	160	158	146
-	-	-	-	-	18
204	114	92	99	85	54
12,814	11,543	11,152	10,951	10,488	9,803
803	743	593	16	257	845
3,645	3,198	2,819	3,507	3,987	676
(128)	(597)	(605)	(695)	(742)	(907)
(3,580)	(3,136)	(2,750)	(3,406)	(3,880)	(655)
-	-	235	-	208	539
-	-	53	-	12	-
132	27	2	12	5	1
4	10	12	3	3	-
1	-	-	-	-	-
-	-	280	443	10	-
-	-	(311)	(436)	(10)	-
74	(498)	(265)	(572)	(407)	(346)
877	245	328	(556)	(150)	499
3,441	3,196	2,827	3,383	4,043	3,523
1	-	41	-	(510)	21
-	-	-	-	-	-
$ 4,319	$ 3,441	$ 3,196	$ 2,827	$ 3,383	$ 4,043

[2] – See additional debt service information including principal and interest components and a ratio of total debt service expenditures to total noncapital expenditures on page 246.

[3] – 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.

GENERAL PURPOSE REVENUE (AFTER TABOR REFUNDS)
GENERAL FUND
IN DOLLARS AND AS A PERCENT OF TOTAL
Last Ten Fiscal Years

(DOLLARS IN MILLIONS)

	2009-10	2008-09	2007-08	2006-07
Income Tax:				
Individual	$ 3,777	$ 4,021	$ 4,600	$ 4,510
Less: Excess TABOR Revenues	-	-	-	-
Corporate	350	265	474	464
Net Income Tax	4,127	4,286	5,074	4,974
Sales, Use, and Excise Taxes	2,072	1,982	2,173	2,076
Less: Excess TABOR Revenues	-	-	-	-
Net Sales, Use, and Excise Taxes	2,072	1,982	2,173	2,076
Estate Taxes	-	-	-	1
Insurance Tax	187	192	188	179
Gaming and Other Taxes	16	-	-	7
Investment Income	10	9	18	28
Medicaid Provider Revenues	-	-	-	-
Other	44	56	52	48
TOTAL GENERAL REVENUES	$ 6,456	$ 6,525	$ 7,505	$ 7,313
Percent Change From Previous Year	-1.1%	-13.1%	2.6%	8.4%

(AS PERCENT OF TOTAL EXCLUDING TABOR REFUND)

	2009-10	2008-09	2007-08	2006-07
Net Income Tax	63.9%	65.7%	67.6%	68.0%
Sales, Use, and Excise Taxes	32.1	30.4	29.0	28.4
Estate Taxes	0.0	0.0	0.0	0.0
Insurance Tax	2.9	2.9	2.5	2.4
Other Taxes	0.2	0.0	0.0	0.1
Interest	0.2	0.1	0.2	0.4
Medicaid Provider Revenues	0.0	0.0	0.0	0.0
Other	0.7	0.9	0.7	0.7
TOTAL GENERAL REVENUES	100.0%	100.0%	100.0%	100.0%

2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
$ 4,044	$ 3,421	$ 3,189	$ 2,945	$ 3,086	$ 3,867
-	-	-	-	-	(209)
422	293	218	214	165	316
4,466	3,714	3,407	3,159	3,251	3,974
1,995	2,146	2,005	1,915	1,962	1,809
-	(41)	-	-	-	(719)
1,995	2,105	2,005	1,915	1,962	1,090
7	26	47	53	73	83
175	189	176	171	155	142
18	40	40	38	34	31
33	28	20	51	25	45
-	-	-	16	11	-
52	59	72	74	61	63
$ 6,746	$ 6,161	$ 5,767	$ 5,477	$ 5,572	$ 5,428
9.5%	6.8%	5.3%	-1.7%	2.7%	4.9%
66.2%	60.3%	59.1%	57.7%	58.3%	65.8%
29.5	34.1	34.8	34.9	35.3	28.5
0.1	0.4	0.8	1.0	1.3	1.3
2.6	3.1	3.1	3.1	2.8	2.2
0.3	0.6	0.7	0.7	0.6	0.5
0.5	0.5	0.3	0.9	0.4	0.7
0.0	0.0	0.0	0.3	0.2	0.0
0.8	1.0	1.2	1.4	1.1	1.0
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

EXPENDITURES BY DEPARTMENT[1] AND TRANSFERS FUNDED BY GENERAL PURPOSE REVENUES
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2009-10	2008-09	2007-08	2006-07
Department:[1]				
Agriculture	$ 5,915	$ 6,809	$ 7,124	$ 5,197
Corrections	563,570	637,292	626,246	577,482
Education	3,238,882	3,214,951	3,023,255	2,882,876
Governor	13,779	13,342	17,346	11,991
Health Care Policy and Financing	1,152,244	1,311,702	1,482,803	1,369,321
Higher Education	428,784	661,974	747,717	693,999
Human Services	751,149	776,394	749,974	718,366
Judicial Branch	323,146	328,056	300,674	265,161
Labor and Employment	-	-	-	108
Law	9,133	8,705	8,474	8,975
Legislative Branch	32,504	34,944	31,139	29,880
Local Affairs	10,854	12,276	10,895	9,973
Military and Veterans Affairs	5,263	5,637	5,407	5,050
Natural Resources	25,515	30,558	30,086	28,550
Personnel & Administration	5,139	5,337	10,934	9,385
Public Health and Environment	26,548	26,634	23,596	23,081
Public Safety	79,459	78,874	72,806	67,169
Regulatory Agencies	1,429	1,451	1,400	1,273
Revenue	54,187	67,092	73,593	65,398
Transportation	-	-	-	-
Treasury	7,784	10,643	13,902	12,403
Transfer to Capital Construction Fund	169	39,396	183,443	291,467
Transfer to Various Cash Funds	8,000	10,281	327	3,748
Transfer to the Highway Users Tax Fund	-	28,965	166,182	291,179
Other Transfers and Nonoperating Disbursements	20,555	102,966	137,747	130,598
TOTALS	$ 6,764,008	$ 7,414,279	$ 7,725,070	$ 7,502,630
Percent Change	-8.8%	-4.0%	3.0%	13.3%
(AS PERCENT OF TOTAL)				
Education	47.9%	43.4%	39.1%	38.4%
Health Care Policy and Financing	17.0	17.7	19.2	18.3
Higher Education	6.3	8.9	9.7	9.3
Human Services	11.1	10.5	9.7	9.6
Corrections	8.3	8.6	8.1	7.7
Transfer to Capital Construction Fund	0.0	0.5	2.4	3.9
Transfer to Various Cash Funds	0.1	0.1	0.0	0.0
Transfers to the Highway Users Tax Fund	0.0	0.4	2.2	3.9
Judicial	4.8	4.4	3.9	3.5
Revenue	0.8	0.9	1.0	0.9
All Others	3.7	4.6	4.7	4.5
TOTALS	100.0%	100.0%	100.0%	100.0%

[1] – 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.

2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
$ 4,038	$ 4,107	$ 3,716	$ 8,700	$ 10,118	$ 9,866
534,233	495,234	467,207	476,972	443,334	417,677
2,718,667	2,514,427	2,417,490	2,313,588	2,268,794	2,143,115
15,862	15,808	13,317	31,465	19,566	19,754
1,362,893	1,247,254	1,142,620	1,132,643	1,076,838	1,028,785
636,341	587,958	591,221	685,686	739,556	747,332
590,071	568,461	534,759	551,299	560,716	553,364
237,673	219,612	207,432	213,939	214,619	205,341
-	-	-	-	-	-
7,143	6,738	6,266	8,141	9,677	8,571
27,633	26,745	26,818	28,100	27,224	27,356
8,500	8,573	4,565	7,419	10,361	10,525
4,324	3,883	3,739	4,273	3,973	4,090
22,806	22,481	19,337	23,599	24,434	28,893
8,181	7,805	7,457	12,282	14,028	14,825
20,586	13,061	12,359	16,573	31,790	33,496
58,785	56,315	53,895	54,465	56,597	56,616
1,390	1,047	1,028	1,582	1,914	1,975
57,928	57,702	57,066	66,898	69,297	78,317
-	-	-	-	-	1
18,443	15,027	690	62,171	4,198	2,378
104,841	40,759	12,270	9,489	25,564	285,255
67,100	185,628	-	-	-	-
65,345	81,212	5,559	-	35,179	-
49,190	20,264	34,257	58,746	68,325	61,894
$ 6,621,973	$ 6,200,101	$ 5,623,068	$ 5,768,030	$ 5,716,102	$ 5,739,426
6.8%	10.3%	-2.5%	0.9%	-0.4%	7.9%
41.1%	40.6%	43.0%	40.1%	39.7%	37.3%
20.6	20.1	20.3	19.6	18.8	17.9
9.6	9.5	10.5	11.9	12.9	13.0
8.9	9.2	9.5	9.6	9.8	9.6
8.1	8.0	8.3	8.3	7.8	7.3
1.6	0.7	0.2	0.2	0.4	5.0
1.0	3.0	0.0	-	-	-
1.0	-	-	-	-	-
3.6	3.5	3.7	3.7	3.8	3.6
0.9	0.9	1.0	1.2	1.2	1.4
3.6	4.5	3.5	5.4	5.6	4.9
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

FUND BALANCE - RESERVED AND UNRESERVED
GENERAL FUND AND ALL OTHER GOVERNMENTAL FUND TYPES
Last Nine Fiscal Years

(DOLLARS IN THOUSANDS)

	2009-10	2008-09	2007-08
GENERAL FUND:			
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 [1]	-
Unreserved:			
Designated for Unrealized Investment Gains:			
General Fund	17,854	10,939	3,639
TOTAL RESERVED	28,752	169,058	203,774
TOTAL UNRESERVED	(12,968)	166,375	3,639
TOTAL FUND BALANCE	15,784	335,433	207,413
ALL OTHER GOVERNMENTAL FUNDS:			
Reserved for:			
Encumbrances	$ 1,052,572	$ 1,043,396	$ 966,477
Noncurrent Assets	584,828	515,062	425,830
Debt Service	4,093	558	558
Statutory Purposes	325,463	40,921	109,322
Emergencies	94,000	93,550	93,000
Funds Reported as Restricted	1,151,448	1,445,739	1,902,755
Unreserved, Reported in:			
Special Revenue Funds	57,148	53,498	54,676
Capital Projects Funds	(35,611)	54,687	134,470
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 Permanent Funds	38,541	22,875	1,571
TOTAL RESERVED	3,212,404	3,179,226	3,497,942
TOTAL UNRESERVED	1,448,107	1,310,454	1,606,662
TOTAL FUND BALANCE	4,660,511	4,449,680	5,104,604
TOTAL RESERVED	3,241,156	3,308,284	3,701,716
TOTAL UNRESERVED	1,435,139	1,476,829	1,610,301
TOTAL FUND BALANCE	$ 4,676,295	$ 4,785,113	$ 5,312,017

[1] – 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.

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 2009-10	2008-09	2007-08
DISTRICT REVENUES:			
Exempt District Revenues	$ 15,189,171	$ 14,496,192	$ 12,126,729
Nonexempt District Revenues	8,567,941	9,102,354	9,998,559
TOTAL DISTRICT REVENUES	23,757,112	23,598,546	22,125,288
Percent Change In Nonexempt District Revenues	-5.9%	-9.0%	3.7%
DISTRICT EXPENDITURES:			
Exempt District Expenditures	15,189,171	14,496,192	12,126,729
Nonexempt District Expenditures	8,667,078	10,168,409	9,533,890
TOTAL DISTRICT EXPENDITURES	23,856,249	24,664,601	21,660,619
Percent Change In Nonexempt District Expenditures	-14.8%	6.7%	7.8%
TOTAL DISTRICT RESERVE/FUND BALANCE INCREASE (DECREASE)	$ (99,137)	$ (1,066,055)	$ 464,670
LIMIT AND REFUND CALCULATIONS:			
Prior Fiscal Year Spending Limitation	$ 9,102,354	$ 8,829,131	$ 8,333,827
Adjustments To Prior Year Limit[2]	(422,368)	(10,365)	(1,054)
ADJUSTED PRIOR YEAR FISCAL SPENDING LIMITATION	8,679,986	8,818,766	8,332,773
Allowable Growth Rate (Population Plus Inflation)	5.8%	4.1%	5.5%
Current Fiscal Year Spending Limitation	9,183,425	9,180,336	8,791,075
Adjustments To Current Year Limit	-	23,505	38,056
ADJUSTED CURRENT YEAR FISCAL SPENDING LIMITATION	9,183,425	9,203,841	8,829,131
NONEXEMPT DISTRICT REVENUES	8,567,941	9,102,354	9,998,559
Amount Over(Under) Adjusted Fiscal Year Spending Limitation	(615,484)	(101,488)	1,169,428
Correction Of Prior Years' Refunds	-	-	-
Voter Approved or Statutory Retention of Excess Revenue	-	-	1,169,428
FISCAL YEAR REFUND	$ -	$ -	$ -

[1] – 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.

[2] – 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.

2006-07	2005-06	Restated 2004-05	2003-04	2002-03	2001-02	Restated 2000-01[1]	Restated 1999-00
$ 11,759,914	$ 10,899,936	$ 11,015,958	$ 11,650,100	$ 12,059,372	$ 11,702,980	$ 8,213,400	$ 7,437,634
9,641,867	9,161,391	8,482,963	8,331,991	7,712,512	7,752,211	8,877,105	8,502,952
21,401,781	20,061,327	19,498,921	19,982,091	19,771,884	19,455,191	17,090,505	15,940,586
5.2%	8.0%	1.8%	8.0%	-0.5%	-12.7%	4.4%	7.3%
11,759,914	10,899,936	11,015,958	11,650,100	12,059,372	11,702,980 [1]	8,213,399	7,437,634
8,847,334	8,029,686	9,473,642	7,799,832	8,198,724	7,729,239	6,945,742	6,474,840
20,607,248	18,929,622	20,489,600	19,449,932	20,258,096	19,432,219	15,159,141	13,912,474
10.2%	-15.2%	21.5%	-4.9%	6.1%	11.3%	7.3%	-9.1%
$ 794,533	$ 1,131,705	$ (990,679)	$ 532,159	$ (486,212)	$ 22,972	$ 1,931,364	$ 2,028,112
$ 8,045,256	$ 8,314,374	$ 8,331,991	$ 7,712,512	$ 7,752,211	$ 7,948,550	$ 7,563,710	$ 7,243,385
(173)	(372,471)	(383,103)	(31,732)	(12,865)	(53,497)	-	-
8,045,083	7,941,903	7,948,888	7,680,780	7,739,346	7,895,053	7,563,710	7,243,385
3.5%	1.3%	2.2%	3.6%	6.9%	4.0%	5.1%	4.4%
8,326,662	8,045,148	8,123,764	7,957,288	8,273,361	8,210,855	7,949,459	7,562,093
7,165	109	190,610	374,703	23,426	(84,666)	(909)	1,617
8,333,827	8,045,257	8,314,374	8,331,991	8,296,787	8,126,189	7,948,550	7,563,710
9,641,867	9,161,391	8,482,963	8,331,991	7,712,512	7,752,211	8,877,105	8,502,952
1,308,040	1,116,134	168,589	-	(584,275)	(373,978)	928,555	939,242
-	-	284	-	-	8,284	(1,354)	1,887
1,308,040	1,116,134	127,810	-	-	-	-	-
$ -	$ -	$ 41,063	$ -	$ -	$ -	$ 927,201	$ 941,129

INDIVIDUAL INCOME TAX RETURNS[1]
BY ADJUSTED GROSS INCOME CLASS
1999 to 2007

(NUMBER OF RETURNS, PERCENT OF NET INCOME TAX REVENUE)

	2007		2006		2005		2004	
	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax
ADJUSTED GROSS INCOME CLASS								
Negative Income	24,376	0.0%	23,376	0.0%	23,916	0.0%	24,570	0.0%
$0 to $5,000	81,028	0.0%	72,400	0.0%	76,547	0.0%	73,929	0.0%
$5,001 to $10,000	109,819	0.0%	108,412	0.0%	112,703	0.0%	112,776	0.0%
$10,001 to $15,000	125,816	0.2%	127,061	0.3%	128,661	0.3%	129,339	0.4%
$15,001 to $20,000	134,806	0.6%	134,933	0.8%	134,643	0.8%	134,988	1.0%
$20,001 to $25,000	131,969	1.1%	130,926	1.3%	130,647	1.4%	131,424	1.6%
$25,001 to $35,000	243,919	3.3%	240,034	3.8%	236,285	4.1%	236,162	4.7%
$35,001 to $50,000	278,843	6.3%	272,040	7.2%	267,939	7.6%	266,625	8.6%
$50,001 to $75,000	313,367	11.4%	302,778	12.9%	295,028	13.6%	289,548	15.1%
$75,001 to $100,000	200,847	11.4%	189,359	12.5%	179,635	13.0%	171,170	14.0%
$100,000 and Over	330,337	65.7%	290,548	61.2%	256,424	59.2%	227,936	54.6%
TOTAL	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

[1] – Returns and taxes generated by taxpayers claimed as dependents are excluded from this data.

SALES TAX RETURNS
BY INDUSTRY CLASS
2003 to 2009[1]

(NUMBER OF RETURNS, PERCENT OF NET SALES TAX REVENUE)

	2009		2008		2007	
	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax
INDUSTRY CLASS						
Agriculture, Forestry, & Fisheries	3,595	0.1%	3,653	0.1%	3,632	0.1%
Mining	5,324	1.9%	4,491	1.9%	4,104	1.7%
Public Utilities	9,721	3.5%	9,517	3.9%	8,725	3.0%
Construction Trades	31,811	1.3%	31,949	1.5%	30,929	1.5%
Manufacturing	88,504	4.7%	84,393	4.8%	87,475	4.9%
Wholesale Trade	72,914	6.6%	72,432	6.7%	74,498	6.7%
Retail Trade	385,320	49.5%	395,100	49.9%	399,395	51.5%
Transportation & Warehousing	3,916	0.3%	4,014	0.3%	4,733	0.3%
Information Producers/Distributors	171,984	6.3%	174,348	5.9%	170,488	5.8%
Finance & Insurance	35,103	1.4%	33,499	1.5%	34,308	1.2%
Real Estate, Rental, & Leasing Services	82,509	3.7%	79,541	3.8%	71,969	3.8%
Professional, Scientific, & Technical Services	64,002	1.6%	65,592	1.6%	66,352	1.8%
Bus. Admin., Support, Waste/Remediation Services	24,615	0.7%	23,401	0.7%	23,014	0.7%
Educational Services	6,068	0.2%	6,526	0.2%	5,566	0.2%
Health Care & Social Assistance Services	15,572	0.2%	13,013	0.2%	12,233	0.2%
Arts, Entertainment, & Recreation Services	17,301	0.6%	17,391	0.6%	17,196	0.6%
Hotel & Other Accommodation Services	21,153	3.6%	21,221	3.6%	20,995	3.5%
Food & Drinking Services	129,780	11.4%	129,123	10.5%	125,682	10.2%
Other Personal Services	86,861	2.3%	86,647	2.2%	85,361	2.1%
Government Services	5,655	0.1%	6,044	0.1%	7,445	0.2%
TOTAL	1,261,708	100%	1,261,895	100%	1,254,100	100%

Source: Colorado Department of Revenue

[1] – 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[1]
2001 to 2010

Income Tax Rate	Sales Tax Rate
4.63%	2.90%

Source: Colorado Department of Revenue

[1] – 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)

	2009-10	RESTATED 2008-09	2007-08	RESTATED 2006-07
DEBT SERVICE EXPENDITURES:				
Principal	$ 116,083	$ 109,801	$ 104,924	$ 100,681
Interest	77,919	78,719	102,652	112,145
TOTAL DEBT SERVICE EXPENDITURES	$ 194,002	$ 188,520	$ 207,576	$ 212,826
Percent Change Over Previous Year	2.9%	-9.2%	-2.5%	4.4%
TOTAL NONCAPITAL EXPENDITURES[1]	16,566,769	15,448,232	14,196,496	13,365,782
TOTAL CAPITAL EXPENDITURES[1]	478,179	359,518	242,572	233,914
TOTAL GOVERNMENTAL EXPENDITURES	17,044,948	15,807,750	14,439,068	13,599,696
DEBT SERVICE EXPENDITURES AS PERCENT OF TOTAL NONCAPITAL EXPENDITURES:				
Principal	0.7%	0.7%	0.7%	0.8%
Interest	0.5%	0.5%	0.7%	0.8%
Total Debt Service Expenditures	1.2%	1.2%	1.5%	1.6%

[1] – 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[2]
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2009-10	2008-09	2007-08	2006-07
Governmental Activities:				
Revenue Backed Debt	$ 992,436	$ 1,106,973	$ 1,216,006	$ 1,319,718
Certificates of Participation	689,973	162,053	172,864	183,203
Capital Leases	97,130	91,813	60,031	30,456
Notes and Mortgages	515,000	515,000	460,000	345,000
TOTAL GOVERNMENTAL OUTSTANDING DEBT	2,294,539	1,875,839	1,908,901	1,878,377
Business-Type Activities:				
Revenue Backed Debt	2,306,693	3,551,588	3,325,690	2,935,383
Certificates of Participation	432,698	446,656	210,150	218,916
Capital Leases	83,374	93,773	93,374	68,621
Notes and Mortgages	43,925	4,771	6,211	9,463
TOTAL BUSINESS-TYPE OUTSTANDING DEBT	2,866,690	4,096,788	3,635,425	3,232,383
Total Primary Government:				
Revenue Backed Debt	3,299,129	4,658,561	4,541,696	4,255,101
Certificates of Participation	1,122,671	608,709	383,014	402,119
Capital Leases	180,504	185,586	153,405	99,077
Notes and Mortgages	558,925	519,771	466,211	354,463
TOTAL OUTSTANDING DEBT[1]	$ 5,161,229	$ 5,972,627	$ 5,544,326	$ 5,110,760
Percent Change Over Previous Year	-13.6% [4]	7.7%	8.5%	9.2%
Colorado Population (In Thousands)	4,832	4,789	4,935	4,842
Per Capita Debt (Dollars Per Person)	$1,068	$1,247	$1,168	$1,056
Per Capita Income (Thousands Per Person)	$44.5	$43.3	$43.5	$42.4
Per Capita Debt as a Percent of Per Capita Income	2.4%	2.9%	2.7%	2.5%

[1] – 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.
[2] – Colorado State Constitution requires multiple year obligations to be approved by voters; therefore, there is no specific legal debt limitation.

RESTATED 2005-06	RESTATED 2004-05	RESTATED 2003-04	RESTATED 2002-03	2001-02	2000-01
$ 97,583	$ 15,574	$ 11,932	$ 16,581	$ 9,245	$ 4,188
106,322	98,829	80,281	82,116	76,096	49,658
$ 203,905	$ 114,403	$ 92,213	$ 98,697	$ 85,341	$ 53,846
78.2%	24.1%	-6.6%	15.7%	58.5%	890.9%
12,586,379	11,298,334	10,664,540	10,541,507	10,212,475	9,620,382
228,077	244,178	488,140	409,971	275,873	184,945
12,814,456	11,542,512	11,152,680	10,951,478	10,488,348	9,805,327
0.8%	0.1%	0.1%	0.2%	0.1%	0.0%
0.8%	0.9%	0.8%	0.8%	0.7%	0.5%
1.6%	1.0%	0.9%	0.9%	0.8%	0.6%

2005-06	2004-05	2003-04	2002-03	2001-02	2000-01 [3]
$ 1,418,446	$ 1,512,987	$ 1,518,564	$ 1,273,146	$ 1,293,196	$ 1,028,880
196,475	63,332	44,244	57,132	54,406	-
17,482	22,308	16,040	8,546	3,473	63,123
415,000	520,000	397,023	-	-	4
2,047,403	2,118,627	1,975,871	1,338,824	1,351,075	1,092,007
2,304,485	2,063,378	1,578,903	1,553,595	1,240,946	1,017,866 [4]
260,578	75,729	73,724	46,811	54,545	-
60,724	90,140	86,531	85,919	47,222	103,001
6,946	9,402	6,262	6,602	1,444	19,590
2,632,733	2,238,649	1,745,420	1,692,927	1,344,157	1,140,457
3,722,931	3,576,365	3,097,467	2,826,741	2,534,142	2,046,746
457,053	139,061	117,968	103,943	108,951	-
78,206	112,448	102,571	94,465	50,695	166,124
421,946	529,402	403,285	6,602	1,444	19,594
$ 4,680,136	$ 4,357,276	$ 3,721,291	$ 3,031,751	$ 2,695,232	$ 2,232,464
7.4%	17.1%	22.7%	12.5%	20.7%	110.3% [4]
4,753	4,661	4,600	4,549	4,504	4,433
$985	$935	$809	$666	$598	$504
$40.9	$38.6	$36.7	$35.2	$35.0	$35.3
2.4%	2.4%	2.2%	1.9%	1.7%	1.4%

[3] – For fiscal years prior to 2001-02, data is presented in the governmental versus business-type activity format for comparability although that classification scheme was not used in those years.

[4] – In Fiscal Year 2000-01, CollegeInvest (formerly Colorado Student Obligation Bond Authority) increased revenue backed debt issued to support the purchase and origination of student loans when it became a State agency. In Fiscal Year 2009-10, the decline was related to CollegeInvest's sale and retirement of $1.7 billion of those bonds.

REVENUE BOND COVERAGE[1]
2001 to 2010
(DOLLARS IN THOUSANDS)

Fiscal Year	Gross Revenue	Direct Operating Expense	Net Revenue Available For Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
Governmental Funds: Transportation Revenue Anticipation Notes (TRANs)							
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
2000-01	33,792	-	33,792	1,850	31,942	33,792	1.00
Enterprise Funds (Excluding Higher Education): State Fair and CollegeInvest[2]							
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
2000-01	166,092	59,185	106,907	30,212	37,482	67,694	1.58
Higher Education Institutions							
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
2000-01	508,892	369,334	139,558	22,263	16,459	38,722	3.60

[1] – Pledged revenues supporting the Governmental Funds TRANs are primarily federal grants under agreement with the Federal Highway Administration (FHWA) and before Fiscal Year 2009-10 include sales and use tax revenues of the Highway Users Tax Fund which were diverted from the General Fund. Pledged revenues supporting the Enterprise Funds' borrowings, excluding Higher Education, were primarily student loan repayment amounts at CollegeInvest, which were used to make the required debt service payments. Pledged revenues supporting Higher Education Institutions' borrowings are primarily auxiliary fees related to student housing and tuition.

[2] – As of Fiscal Year 2009-10, neither CollegeInvest nor State Fair had any outstanding revenue bonds requiring pledged revenues amount to be reported.

COLORADO DEMOGRAPHIC DATA
2001 to 2010

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 %
2010 est	4,832	1.56%	$ 214.9	$ 44,474	110.2%	*	7.9%
2009	5,025	1.64%	210.2	41,831	105.6%	2,493	7.7
2008	4,935	1.62%	214.7	43,506	107.0%	2,596	4.9
2007	4,842	1.57%	205.2	42,379	107.4%	2,602	3.8
2006	4,753	1.59%	194.4	40,900	108.5%	2,537	4.3
2005	4,661	1.58%	179.7	38,554	108.8%	2,437	5.1
2004	4,600	1.57%	168.6	36,652	108.2%	2,385	5.6
2003	4,549	1.57%	159.9	35,151	108.9%	2,324	6.1
2002	4,504	1.56%	157.8	35,036	111.4%	2,304	5.7
2001	4,433	1.55%	156.5	35,303	113.4%	2,304	3.8

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[1]
BY INDUSTRY
2001 to 2010
(AMOUNTS IN THOUSANDS)

Industry[2]	2010 est	2009 est	2008	2007	2006	2005	2004	2003	2002	2001
Natural Resources and Mining	25.1	25.6	28.4	25.2	21.1	17.2	14.4	13.2	12.9	12.9
Construction	128.0	137.0	161.8	167.8	167.8	160.0	151.3	149.9	160.4	167.7
Manufacturing	128.2	132.0	144.2	147.0	149.1	150.4	151.8	153.9	163.8	179.5
Transportation, Trade, and Utilities	415.9	413.2	429.3	429.2	419.3	413.0	406.6	404.5	412.1	423.0
Information	72.3	43.1	77.0	76.4	75.4	76.9	81.2	84.6	92.9	107.3
Financial Activities	143.6	146.5	155.6	159.5	160.4	158.5	154.6	154.1	149.5	148.3
Professional and Business Services	331.5	325.0	351.6	347.9	331.8	316.8	304.1	292.0	296.2	312.3
Educational and Health Services	263.5	256.9	250.6	240.4	231.2	224.6	218.5	213.0	208.5	200.8
Leisure and Hospitality	257.5	258.0	273.0	270.4	264.9	257.5	251.3	245.6	247.0	247.2
Other Services	94.1	93.5	94.9	92.9	90.8	88.5	87.4	85.9	85.6	83.8
Government	387.6	389.7	384.1	374.7	367.2	362.6	358.5	356.2	355.4	344.1
Total	2,247.3	2,220.5	2,350.5	2,331.4	2,279.0	2,226.0	2,179.7	2,152.9	2,184.3	2,226.9

Source: Colorado Department of Labor and Employment and the Colorado Business Economic Outlook Committee.

1 – Provided in lieu of information regarding Colorado's principal employers for which employer data could not be obtained.

2 – Excludes nonagricultural self-employed, unpaid family, and domestic workers.

VALUE OF TOTAL CONSTRUCTION IN COLORADO BY TYPE 2001 to 2010

(AMOUNTS IN MILLIONS)

Year	Residential	Non-Residential	Non-Building	Total
2010 est	$ 2,473	$ 2,500	$ 1,550	$ 6,523
2009 est	2,077	3,200	1,700	6,977
2008	4,278	4,134	2,371	10,783
2007	7,146	4,866	1,901	13,914
2006	7,770	4,310	2,967	15,047
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
2001	6,593	3,500	1,687	11,780

Source: F.W. Dodge Company, the Colorado Contractors Association, and the Colorado Business Economic Outlook Committee.

COLORADO SALES AND GROSS FARMING REVENUES 2001 to 2010

(AMOUNTS IN BILLIONS)

Year	Retail Sales	Gross Farm Revenues
2010 est	$ 60.4	$ 6.81
2009 est	58.8	6.82
2008	66.8	7.42
2007	67.3	7.47
2006	61.7	6.79
2005	58.7	6.72
2004	55.8	6.39
2003	52.8	5.65
2002	52.9	5.38
2001	52.9	5.65

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[1] BY FUNCTIONS/PROGRAMS
Last Ten Years [2]

	2010		2009		2008
GOVERNMENTAL ACTIVITIES:					
General Government:					
Funds	601		593		556
Employees (calculated Full-Time Equivalent)	65,325		64,535		61,915
Balance in Treasury Pool (in millions)	$5,902.0		$5,663.2		$6,159.4
Business, Community, and Consumer Affairs:					
Professional Licenses at Regulatory Agencies	702,498		679,836		640,332
Unemployment Rate (percent) [4]	7.9		7.7		4.9
Employment Level [4]	*		2,492,540		2,596,309
Education:					
Public Schools	1,783		1,769		1,771
Primary School Students	832,368		818,443		802,639
Health and Rehabilitation:					
Average Daily Population of Mental Health Institutes [3]	554		569		548
Average Daily Population of Regional Centers [3,5]	329		378		403
Justice:					
District Court Cases Filed [3]	188,822		191,749		199,681
County Court Cases Filed [3]	562,570		554,165		579,069
Inmate Admissions	*		10,992		11,038
Inmate Releases	*		10,803		10,565
Average Daily Inmate Population	22,980		23,210		22,887
Citations Issued by the State Patrol	149,667	7	170,570	6	221,544
Crashes Covered by the State Patrol	18,662	7	26,159		27,260
Natural Resources:					
Active Oil and Gas Wells [3]	45,000		36,000		35,000
Oil and Gas Drilling Permits [3]	5,000		7,400		6,780
Annual State Park Visitors [3]	11,666,912		13,680,012		11,272,418
Water Loans	278		269		258
Social Assistance:					
Medicaid Recipients [3]	476,632		381,390		383,784
Average # of Cash Assistance Payments per Month [3]	58,119		57,200		62,647
Transportation:					
Lane Miles	*		23,060,630		23,036,480
Bridges	*		3,429		3,406
BUSINESS-TYPE ACTIVITIES:					
Higher-Education:					
Resident Students [3]	146,531		136,900		135,275
Nonresident Students [3]	24,869		23,166		22,069
Unemployment Insurance:					
Individuals Served - Employment and Training [3]	652,570		350,000		300,000
Initial Unemployment Claims [3]	408,644		120,074		119,561
CollegeInvest:[8]					
Loans Issued or Purchased	*		268,745		239,060
Average Balance per Loan	*		$6,326		$6,328
Lottery:					
Scratch Tickets Sold	99,657,606		104,217,790		101,604,127
Lotto Tickets Sold	41,620,408		43,552,521		41,071,837
Powerball Tickets Sold	101,568,085		100,733,520		109,565,516
Other Lottery Tickets Sold	26,833,674		20,831,732		19,148,564
Wildlife:					
Hunting & Fishing Licenses Sold [3]	1,630,000		2,300,000		1,545,659
College Assist:					
Guaranteed Loans - In State	45,793	9	115,486		140,232
Guaranteed Loans - Out of State	45,037		47,892		18,859

Source: JBC Budget in Brief and various State departments.

* – Data is not available.
1 – All amounts are counts, except where dollars or percentages are indicated.
2 – Data is presented by either fiscal year or calendar year based on availability of information.
3 – Data represents estimates from budgetary documents and is not adjusted to actual.

2007	2006	2005	2004	2003	2002	2001
515	492	484	465	444	434	415
59,873	58,468	58,046	57,643	58,239	57,974	56,639
$5,250.7	$4,615.3	$3,951.1	$3,174.6	$2,241.4	$2,068.5	$3,080.6
575,124	576,982	517,597	*	*	*	229,903
3.8	4.3	5.1	5.6	6.1	5.7	3.8
2,602,015	2,537,037	2,436,795	2,384,562	2,323,554	2,304,109	2,303,494
1,771	1,731	1,667	1,728	1,613	1,658	1,656
794,026	780,708	766,657	757,021	751,862	742,145	724,508
528	539	539	570	688	699	697
403	403	403	411	400	397	413
189,884	187,498	*	*	165,467	160,245	168,325
552,592	547,143	*	*	461,847	457,246	460,149
10,625	10,168	9,433	8,165	7,799	7,802	6,952
10,110	8,954	8,249	7,504	6,977	6,554	6,114
22,424	21,438	20,228	19,478	18,636	17,367	16,605
226,324	234,052	246,918	206,052	176,869	160,919	149,872
28,277	28,648	30,645	33,635	34,133	37,102	40,541
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	10,755,581
255	244	241	227	213	206	197
429,233	446,341	375,410	362,654	326,058	304,508	281,430
66,728	68,822	68,150	85,339	*	*	67,100
22,999,470	23,105,769	23,029,858	23,138,578	23,061,021	22,851,000	22,814,000
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	143,418,930
39,835,761	38,332,996	38,266,176	40,818,461	48,272,866	57,651,698	88,945,211
101,570,695	119,757,642	80,912,792	85,041,776	75,705,463	79,893,821	0
17,407,163	16,858,542	15,052,291	14,508,537	13,245,564	13,222,846	12,482,380
1,399,978	1,409,064	1,450,000	1,235,551	1,525,679	1,423,377	1,478,617
146,616	*	*	*	*	*	*
5,080	*	*	*	*	*	*

[4] – Data represents annual averages of monthly estimates from Department of Labor and Employment and is not adjusted to actual.

[5] – Prior to 2009, this represented Regional Center Residential Beds.

[6] – Data through September 22, 2009. [7] – Data through October 31, 2010.

[8] – CollegeInvest sold its loan portfolio during Fiscal Year 2009-10 due to a statutory change resulting from a change in the federal program.

[9] – College Assist's Guaranteed Loans for In-State student decreased due to increased participation by the colleges in the federal direct lending program.

NUMBER OF FULL-TIME EQUIVALENT STATE EMPLOYEES BY FUNCTION, AND AVERAGE MONTHLY SALARY
Last Ten Fiscal Years

	2009-10	2008-09	2007-08	2006-07
General Government	2,399	2,454	2,392	2,322
Business, Community, and Consumer Affairs	2,564	2,437	2,372	2,335
Education	37,093	36,042	34,469	33,464
Health and Rehabilitation	4,019	3,944	3,865	3,774
Justice	12,848	13,000	12,467	11,791
Natural Resources	1,607	1,587	1,583	1,522
Social Assistance	1,704	1,671	1,656	1,593
Transportation	3,091	3,400	3,111	3,072
TOTAL FTE	65,325	64,535	61,915	59,873
TOTAL CLASSIFIED FTE	32,799	32,820	31,995	31,075
AVERAGE MONTHLY SALARY	$ 4,367	$ 4,390	$ 4,278	$ 4,108
TOTAL NON-CLASSIFIED FTE	32,526	31,715	29,920	28,798
AVERAGE MONTHLY SALARY	$ 5,735	$ 5,723	$ 5,467	$ 5,214

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.

2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
2,255	2,219	2,180	2,300	2,422	2,409
2,342	2,367	2,343	2,344	2,334	2,284
32,680	32,664	32,595	32,435	31,887	31,165
3,729	3,681	3,717	3,803	3,766	3,668
11,372	11,083	10,767	11,257	11,437	11,100
1,485	1,472	1,446	1,453	1,453	1,395
1,520	1,462	1,482	1,567	1,610	1,570
3,085	3,098	3,113	3,080	3,065	3,048
58,468	58,046	57,643	58,239	57,974	56,639
30,677	30,967	30,770	31,857	32,092	31,510
$ 4,036	$ 3,955	$ 3,867	$ 3,913	$ 3,700	$ 3,491
27,791	27,079	26,873	26,382	25,882	25,129
$ 5,066	$ 4,926	$ 4,759	$ 4,788	$ 4,563	$ 4,352

FTE is an acronym for Full-Time Equivalent employee. Employees on the State's payroll system are designated as either full-time or part-time. Each full-time employee was counted as one FTE. For each State agency, the average salary for full-time employees was divided into the part-time employee payroll amount to determine the FTE for part-time employees.

COLORADO STATE HIGHWAY SYSTEM
CENTERLINE AND LANE MILES
2000 TO 2009

Mileage Type	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
CenterLine Miles[1]:										
Urban	1,398	1,400	1,398	1,419	1,411	1,421	1,421	1,038	1,033	1,035
Rural	7,748	7,744	7,736	7,742	7,737	7,736	7,736	8,105	8,104	8,051
TOTAL CENTERLINE MILES	9,146	9,144	9,134	9,161	9,148	9,157	9,157	9,143	9,137	9,086
Percent Change	0.0%	0.1%	-0.3%	0.1%	-0.1%	0.0%	0.2%	0.1%	0.6%	-0.8%
Lane Miles[2]:										
Urban	5,352	5,238	5,232	5,322	5,247	5,262	5,236	4,058	4,031	4,041
Rural	17,709	17,798	17,767	17,784	17,784	17,875	17,825	18,792	18,782	18,659
TOTAL LANE MILES	23,061	23,036	22,999	23,106	23,031	23,137	23,061	22,850	22,813	22,700
Percent Change	0.1%	0.2%	-0.5%	0.3%	-0.5%	0.3%	0.9%	0.2%	0.5%	-0.9%

Source: Colorado Department of Transportation

1 – Centerline miles measure roadway miles without accounting for the number of lanes.
2 – 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 2009[3]

Functional Classification	2009	2008	2007	2006	2005	2004	2003	2002
Principal Arterial[1]	1,368	1,341	1,686	1,678	1,680	1,676	1,949	1,945
Other Principal Arterial[2]	794	795	911	884	943	894	321	322
Minor Arterial	761	773	802	798	787	798	818	817
Collector	426	404	350	368	319	326	403	405
Local	80	93	26	29	25	20	207	209
TOTAL BRIDGES	3,429	3,406	3,775	3,757	3,754	3,714	3,698	3,698
Percent Change	0.7%	-9.8%	0.5%	0.1%	1.1%	0.4%	0.0%	NA

Source: Colorado Department of Transportation

1 – Includes interstate, expressways, and freeways.
2 – Prior to 2004, Other Principal Arterials in rural areas were included in the Principal Arterial category.
3 – Data is not available in this format prior to calendar year 2002.

BUILDING SQUARE FOOTAGE
OWNED BY THE PRIMARY GOVERNMENT
BY FUNCTIONS/PROGRAMS
Last Three Years

	2010	2009	2008
GOVERNMENTAL ACTIVITIES:			
General Government	3,043,068	2,549,944	2,982,413
Business, Community, and Consumer Affairs[1]	980,198	981,809	937,389
Education	317,894	317,884	317,884
Health and Rehabilitation	1,489,338	1,365,606	1,561,507
Justice	8,398,319	8,103,126	8,047,872
Natural Resources	1,729,810	1,210,477	1,672,897
Social Assistance	1,824,175	1,700,847	1,351,964
Transportation	3,206,451	2,575,421	2,575,421
BUSINESS-TYPE ACTIVITIES:			
Higher-Education	46,277,915	44,026,204	41,437,896
Wildlife	1,109,004	1,065,240	901,526
TOTAL	68,376,172	63,896,558	61,786,769

Source: Colorado Office of the State Architect

[1] – 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.

BUILDING SQUARE FOOTAGE
LEASED BY THE PRIMARY GOVERNMENT
BY FUNCTIONS/PROGRAMS
Last Three Years

	2010	2009	Restated 2008
GOVERNMENTAL ACTIVITIES:			
General Government	276,602	288,210	199,967
Business, Community, and Consumer Affairs[1]	517,447	515,708	508,439
Education	28,531	19,440	9,396
Health and Rehabilitation	455,218	420,272	434,469
Justice	857,026	868,060	850,185
Natural Resources	65,735	73,546	49,495
Social Assistance	55,801	34,459	28,963
BUSINESS-TYPE ACTIVITIES:			
Higher-Education	1,199,672	1,243,524	1,294,663
CollegeInvest	18,983	15,318	15,318
Lottery	59,915	61,682	61,682
Wildlife	73,064	15,267	75,944
College Assist	12,807	12,807	12,807
TOTAL	3,620,801	3,568,293	3,541,328

Source: Colorado Office of the State Architect

[1] – 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.

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 38th 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

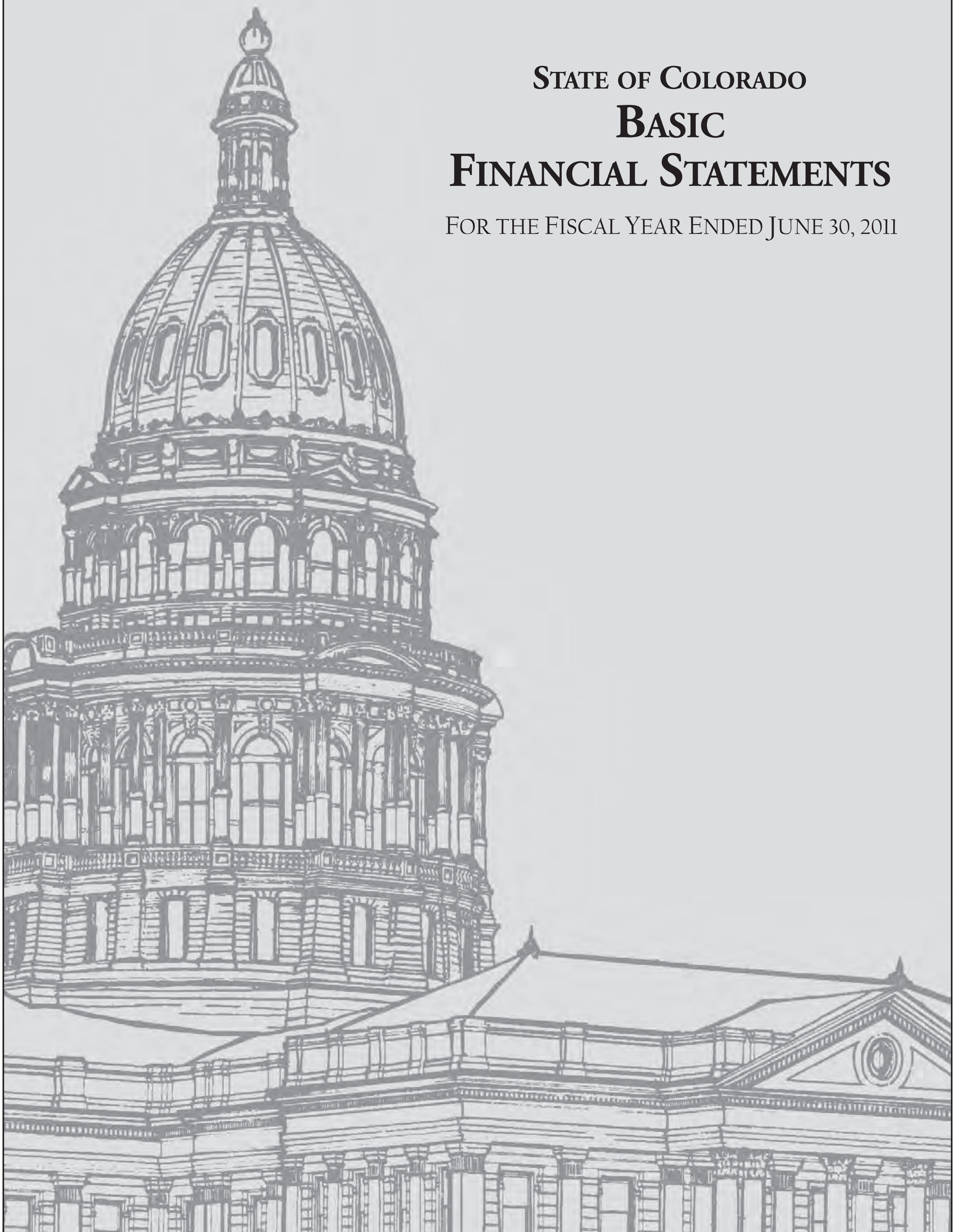
State Rock – Yule Marble

State Tree – Colorado Blue Spruce

State of Colorado

Basic Financial Statements

For the Fiscal Year Ended June 30, 2011



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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

September 26, 2011

The Honorable John W. Hickenlooper
Governor
136 State Capitol Building
Denver, Colorado 80203

Dear Governor Hickenlooper:

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 2011 and will be included in the Comprehensive Annual Financial Report that I expect to issue in late December 2011.

If you have questions please contact me.

Sincerely,

David J. McDermott

David J. McDermott, CPA
Colorado State Controller

Attachment

cc: Senator Brandon Shaffer, President of the Senate
Representative Frank McNulty, Speaker of the House
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, 2011

CONTENTS

STATEMENT OF NET ASSETS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES	PRIMARY GOVERNMENT TOTAL	COMPONENT UNITS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 1,766,199	$ 1,646,807	$ 3,413,006	$ 185,711
Investments	45,548	273,663	319,211	72,810
Taxes Receivable, net	830,728	177,261	1,007,989	-
Contributions Receivable, net	-	-	-	36,476
Other Receivables, net	148,573	305,539	454,112	180,922
Due From Other Governments	492,445	177,822	670,267	1,719
Internal Balances	18,620	(18,620)	-	-
Due From Component Units	62	19,736	19,798	-
Inventories	19,841	43,600	63,441	15,414
Prepaids, Advances, and Deferred Charges	56,543	18,018	74,561	11,929
Total Current Assets	3,378,559	2,643,826	6,022,385	504,981
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	1,408,884	409,652	1,818,536	109,844
Restricted Investments	640,685	98,146	738,831	324,789
Restricted Receivables	170,634	24,980	195,614	19,635
Investments	509,455	1,282,314	1,791,769	2,014,094
Contributions Receivable, net	-	-	-	52,395
Net Pension Asset	-	-	-	6,922
Other Long-Term Assets	761,498	122,939	884,437	1,250,218
Depreciable Capital Assets and Infrastructure, net	9,337,106	4,661,648	13,998,754	680,636
Land and Nondepreciable Infrastructure	1,765,327	938,097	2,703,424	33,410
Total Noncurrent Assets	14,593,589	7,537,776	22,131,365	4,491,943
TOTAL ASSETS	17,972,148	10,181,602	28,153,750	4,996,924
DEFERRED OUTFLOW OF RESOURCES:	-	6,182	6,182	-
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	625,145	-	625,145	-
Accounts Payable and Accrued Liabilities	784,776	550,065	1,334,841	85,152
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	238,162	349,668	10,269
Accrued Compensated Absences	9,741	14,579	24,320	16,406
Claims and Judgments Payable	44,641	-	44,641	26,910
Leases Payable	12,872	4,950	17,822	598
Notes, Bonds, and COPs Payable	145,165	79,106	224,271	77,677
Other Current Liabilities	13,748	118,738	132,486	134,729
Total Current Liabilities	1,965,256	1,337,370	3,302,626	352,138
Noncurrent Liabilities:				
Deposits Held In Custody For Others	14	-	14	225,449
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	2,746
Derivative Instrument Liability	-	6,182	6,182	-
Notes, Bonds, and COPs Payable	1,621,749	3,125,288	4,747,037	1,561,179
Due to Component Units	-	2,374	2,374	-
Other Postemployment Benefits	-	124,761	124,761	-
Other Long-Term Liabilities	474,483	43,814	518,297	147,285
Total Noncurrent Liabilities	2,668,104	3,586,879	6,254,983	1,936,659
TOTAL LIABILITIES	4,633,360	4,924,249	9,557,609	2,288,797
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	9,826,571	2,980,761	12,807,332	211,708
Restricted for:				
Construction and Highway Maintenance	1,160,289	-	1,160,289	-
Education	490,737	-	490,737	-
Debt Service	10,127	6,280	16,407	-
Emergencies	85,400	12,368	97,768	24
Permanent Funds and Endowments:				
Expendable	8,017	7,603	15,620	643,086
Nonexpendable	641,802	73,956	715,758	601,122
Other Purposes	206,431	655,010	861,441	572,926
Unrestricted	909,414	1,527,557	2,436,971	727,938
TOTAL NET ASSETS	$ 13,338,788	$ 5,263,535	$ 18,602,323	$ 2,756,804

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

UNAUDITED

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	Expenses		Program Revenues		
Functions/Programs	Expenses	Indirect Cost Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:					
Governmental Activities:					
General Government	$ 248,922	$ (16,782)	$ 115,099	$ 252,873	$ -
Business, Community, and Consumer Affairs	665,157	2,096	128,502	305,940	921
Education	5,431,075	992	20,032	1,017,935	84
Health and Rehabilitation	691,949	1,015	83,967	383,316	-
Justice	1,532,049	4,577	193,663	67,514	1,146
Natural Resources	148,372	1,117	170,661	55,309	15
Social Assistance	6,394,508	2,150	517,493	4,034,251	18
Transportation	1,972,090	1,427	403,150	93,614	657,104
Interest on Debt	32,487	-	-	-	-
Total Governmental Activities	17,116,609	(3,408)	1,632,567	6,210,752	659,288
Business-Type Activities:					
Higher Education	4,800,453	2,079	3,112,618	1,903,938	20,260
Unemployment Insurance	2,132,828	-	784,051	1,348,832	-
Lottery	469,973	460	527,184	560	-
Wildlife	107,393	442	101,338	22,256	5,172
College Assist	360,687	83	3,859	348,986	-
Other Business-Type Activities	190,628	344	270,209	23,055	-
Total Business-Type Activities	8,061,962	3,408	4,799,259	3,647,627	25,432
Total Primary Government	25,178,571	-	6,431,826	9,858,379	684,720
Component Units:					
University of Colorado Hospital Authority	688,893		795,977	2,494	2,643
Colorado Water Resources and Power Development Authority	71,793		47,965	69,097	-
University of Colorado Foundation	91,476		5,100	141,741	-
Colorado State University Foundation	33,867		-	38,428	-
Colorado School of Mines Foundation	13,617		-	29,158	-
University of Northern Colorado Foundation	9,989		-	1,769	-
Other Component Units	124,291		84,356	1,319	470
Total Component Units	$ 1,033,926	$ -	$ 933,398	$ 284,006	$ 3,113

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 36)
(Transfers-Out) / Transfers-In
Internal Capital Contributions
Permanent Fund Additions
Total General Revenues, Special Items, and Transfers

Change in Net Assets

Net Assets - Fiscal Year Beginning
Prior Period Adjustment (See Note 30)
Net Assets - Fiscal Year Ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ 135,832	$ -	$ 135,832	
(231,890)	-	(231,890)	
(4,394,016)	-	(4,394,016)	
(225,681)	-	(225,681)	
(1,274,303)	-	(1,274,303)	
76,496	-	76,496	
(1,844,896)	-	(1,844,896)	
(819,649)	-	(819,649)	
(32,487)	-	(32,487)	
(8,610,594)	-	(8,610,594)	
-	234,284	234,284	
-	55	55	
-	57,311	57,311	
-	20,931	20,931	
-	(7,925)	(7,925)	
-	102,292	102,292	
-	406,948	406,948	
(8,610,594)	406,948	(8,203,646)	
-	-	-	112,221
-	-	-	45,269
-	-	-	55,365
-	-	-	4,561
-	-	-	15,541
-	-	-	(8,220)
-	-	-	(38,146)
-	-	-	186,591
2,280,693	-	2,280,693	12
236,945	-	236,945	-
4,151,119	-	4,151,119	-
441,778	-	441,778	-
466,406	-	466,406	-
340,910	-	340,910	-
29,589	-	29,589	-
557,168	-	557,168	-
593	-	593	-
6,523	-	6,523	116,560
91,608	-	91,608	-
-	-	-	41,010
-	1,493	1,493	-
(109,253)	109,253	-	-
-	48	48	-
460	-	460	-
8,494,539	110,794	8,605,333	157,582
(116,055)	517,742	401,687	344,173
13,455,272	4,746,480	18,201,752	2,412,631
(429)	(687)	(1,116)	-
$ 13,338,788	$ 5,263,535	$ 18,602,323	$ 2,756,804

UNAUDITED

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
ASSETS:			
Cash and Pooled Cash	$ 400,674	$ 474,072	$ 32,424
Taxes Receivable, net	1,065,525	19,859	-
Other Receivables, net	43,707	20,171	2,849
Due From Other Governments	473,961	567	61
Due From Other Funds	125,006	1,325	288
Due From Component Units	62	-	-
Inventories	8,746	270	9,390
Prepaids, Advances, and Deferred Charges	33,008	18,066	55
Restricted Assets:			
Restricted Cash and Pooled Cash	-	-	1,159,615
Restricted Investments	-	-	-
Restricted Receivables	-	-	170,634
Investments	290,637	-	-
Other Long-Term Assets	-	427,188	15,813
Capital Assets Held as Investments	-	-	-
TOTAL ASSETS	$ 2,441,326	$ 961,518	$ 1,391,129
LIABILITIES:			
Tax Refunds Payable	$ 615,164	8,396	$ 1,439
Accounts Payable and Accrued Liabilities	533,046	6,765	100,686
TABOR Refund Liability (Note 8B)	706	-	-
Due To Other Governments	72,344	60,715	63,190
Due To Other Funds	322,272	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
Due to Other Funds	1,133	-	-
Deposits Held In Custody For Others	9	-	-
TOTAL LIABILITIES	1,838,033	93,018	188,616
FUND BALANCES:			
Nonspendable:			
Inventories	8,746	270	9,390
Permanent Fund Principal	-	-	-
Prepaids	33,009	18,066	55
Restricted	542,997	13,792	1,160,289
Committed	39,677	836,372	32,779
Assigned	109	-	-
Unassigned	(21,245)	-	-
TOTAL FUND BALANCES	603,293	868,500	1,202,513
TOTAL LIABILITIES AND FUND BALANCES	$ 2,441,326	$ 961,518	$ 1,391,129

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ 61,374	$ -	$ 777,311	$ 1,745,855
-	-	39,235	1,124,619
2,161	861	78,386	148,135
4,091	-	13,256	491,936
13,711	226,938	9,324	376,592
-	-	-	62
-	-	179	18,585
88	-	3,331	54,548
-	103,989	145,280	1,408,884
-	44,958	595,727	640,685
-	-	-	170,634
182,267	1,308	80,791	555,003
102	-	23,107	466,210
-	-	17,162	17,162
$ 263,794	$ 378,054	$ 1,783,089	$ 7,218,910
$ -	$ -	$ 146	$ 625,145
41,430	6,656	53,992	742,575
-	-	-	706
-	-	20,707	216,956
573	31	50,333	378,958
1,959	-	82,943	404,962
-	-	-	47
-	-	81	395
-	-	2,641	10,273
-	-	-	1,133
-	-	5	14
43,962	6,687	210,848	2,381,164
-	-	179	18,585
-	-	658,883	658,883
88	-	3,331	54,549
183,321	371,367	262,075	2,533,841
36,423	-	647,773	1,593,024
-	-	-	109
-	-	-	(21,245)
219,832	371,367	1,572,241	4,837,746
$ 263,794	$ 378,054	$ 1,783,089	$ 7,218,910

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

(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	(A) INTERNAL SERVICE FUNDS	(B) CAPITAL ASSET BALANCES	(C) DEBT RELATED BALANCES	(D) CENTRALIZED RISK MANAGEMENT LIABILITIES	(E) OTHER MEASUREMENT FOCUS ADJUSTMENTS	(F) INTERNAL BALANCES ELIMINATION	STATEMENT OF NET ASSETS TOTALS
ASSETS:								
Current Assets:								
Cash and Pooled Cash	$ 1,745,855	$ 20,344	$ -	$ -	$ -	$ -	$ -	$ 1,766,199
Investments	-	-	-	-	-	45,548	-	45,548
Taxes Receivable, net	1,124,619	-	-	-	-	(293,891)	-	830,728
Other Receivables, net	148,135	438	-	-	-	-	-	148,573
Due From Other Governments	491,936	509	-	-	-	-	-	492,445
Due From Other Funds	376,592	2,323	-	-	-	-	(360,295)	18,620
Due From Component Units	62	-	-	-	-	-	-	62
Inventories	18,585	1,256	-	-	-	-	-	19,841
Prepaids, Advances, and Deferred Charges	54,548	1,995	-	-	-	-	-	56,543
Total Current Assets	3,960,332	26,865	-	-	-	(248,343)	(360,295)	3,378,559
Noncurrent Assets:								
Restricted Cash and Pooled Cash	1,408,884	-	-	-	-	-	-	1,408,884
Restricted Investments	640,685	-	-	-	-	-	-	640,685
Restricted Receivables	170,634	-	-	-	-	-	-	170,634
Investments	555,003	-	-	-	-	(45,548)	-	509,455
Other Long-Term Assets	466,210	58	-	-	-	295,230	-	761,498
Depreciable Capital Assets and Infrastructure, net	-	79,532	9,257,574	-	-	-	-	9,337,106
Land and Nondepreciable Infrastructure	17,162	939	1,747,226	-	-	-	-	1,765,327
Total Noncurrent Assets	3,258,578	80,529	11,004,800	-	-	249,682	-	14,593,589
TOTAL ASSETS	7,218,910	107,394	11,004,800	-	-	1,339	(360,295)	17,972,148
LIABILITIES:								
Current Liabilities:								
Tax Refunds Payable	625,145	-	-	-	-	-	-	625,145
Accounts Payable and Accrued Liabilities	742,575	12,034	-	10,371	-	19,796	-	784,776
TABOR Refund Liability (Note 8B)	706	-	-	-	-	-	-	706
Due To Other Governments	216,956	-	-	-	-	-	-	216,956
Due To Other Funds	378,958	-	-	-	-	(19,796)	(359,162)	-
Deferred Revenue	404,962	435	-	-	-	(293,891)	-	111,506
Compensated Absences Payable	47	43	-	-	-	9,651	-	9,741
Claims and Judgments Payable	395	-	-	-	33,042	11,204	-	44,641
Leases Payable	-	9,658	-	3,214	-	-	-	12,872
Notes, Bonds, and COPs Payable	-	3,535	-	141,630	-	-	-	145,165
Other Current Liabilities	10,273	258	-	-	-	3,217	-	13,748
Total Current Liabilities	2,380,017	25,963	-	155,215	33,042	(269,819)	(359,162)	1,965,256
Noncurrent Liabilities:								
Due to Other Funds	1,133	-	-	-		-	(1,133)	-
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	-	-	-	-	-	474,483	-	474,483
Total Noncurrent Liabilities	1,147	65,685	-	1,657,650	102,013	842,742	(1,133)	2,669,237
TOTAL LIABILITIES	2,381,164	91,648	-	1,812,865	135,055	572,923	(360,295)	4,633,360
NET ASSETS:								
Invested in Capital Assets, Net of Related Debt	17,162	8,463	11,004,800	(1,203,854)	-	-	-	9,826,571
Restricted for:								
Construction and Highway Maintenance	1,346,045	-	-	(185,756)	-	-	-	1,160,289
Education	877,821	-	-	(387,084)	-	-	-	490,737
Debt Service	10,127	-	-	-	-	-	-	10,127
Emergencies	85,400	-	-	-	-	-	-	85,400
Permanent Funds and Endowments:								
Expendable	8,017	-	-	-	-	-	-	8,017
Nonexpendable	641,802	-	-	-	-	-	-	641,802
Other Purposes	206,431	-	-	-	-	-	-	206,431
Unrestricted	1,644,941	7,283	-	(36,171)	(135,055)	(571,584)	-	909,414
TOTAL NET ASSETS	$ 4,837,746	$ 15,746	$ 11,004,800	$ (1,812,865)	$ (135,055)	$ (571,584)	$ -	$ 13,338,788

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 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
REVENUES:			
Taxes:			
Individual and Fiduciary Income	$ 4,153,912	$ -	$ -
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	21,788	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	5,840,760	159,631	682,441
Additions to Permanent Funds	-	-	-
Unclaimed Property Receipts	-	-	-
Other	126,965	998	50,189
TOTAL REVENUES	13,109,089	330,346	1,756,450
EXPENDITURES:			
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	1,187,340	-	84,869
Natural Resources	61,603	45,414	-
Social Assistance	4,701,413	-	-
Transportation	-	-	1,062,710
Capital Outlay	111,754	239	27,906
Intergovernmental:			
Cities	62,572	51,259	141,283
Counties	1,924,926	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	-	-
TOTAL EXPENDITURES	13,965,421	163,394	1,568,062
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(856,332)	166,952	188,388
OTHER FINANCING SOURCES (USES):			
Transfers-In	4,253,424	298	905
Transfers-Out	(3,347,429)	(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
TOTAL OTHER FINANCING SOURCES (USES)	1,138,413	(208,761)	(228,404)
NET CHANGE IN FUND BALANCES	282,081	(41,809)	(40,016)
FUND BALANCE, FISCAL YEAR BEGINNING	257,633	868,430	1,242,529
Prior Period Adjustment (See Note 30)	11,729	(0)	-
Accounting Changes (See Note 30)	51,850	41,879	-
FUND BALANCE, FISCAL YEAR END	$ 603,293	$ 868,500	$ 1,202,513

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

UNAUDITED

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ -	$ 342,173	$ -	$ 4,496,085
-	28,326	-	393,884
-	-	34,237	2,267,758
-	-	147,368	794,080
-	-	147,033	477,813
10	-	393,269	744,717
-	-	531,064	730,336
-	-	126,690	128,589
3,169	2,432	39,173	96,583
33,851	-	202,797	6,919,480
-	-	460	460
-	-	30,428	30,428
2,236	94	39,883	220,365
39,266	373,025	1,692,402	17,300,578
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	1,313,758
2,465	-	22,508	131,990
461	-	198,826	4,900,700
-	-	1,442	1,064,152
183,512	-	5,562	328,973
185	-	44,224	299,523
146	-	72,333	2,232,054
-	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	17,285,380
(178,187)	(43,572)	737,949	15,198
59,072	227,048	240,055	4,780,802
(49,458)	(6,695)	(1,028,155)	(4,870,936)
-	-	-	217,530
-	-	-	25
2,950	-	-	16,648
-	-	46	46
389	-	65	2,450
12,953	220,353	(787,989)	146,565
(165,234)	176,781	(50,040)	161,763
385,059	194,586	1,728,058	4,676,295
7	-	(11,956)	(220)
-	-	(93,821)	(91)
$ 219,832	$ 371,367	$ 1,572,241	$ 4,837,746

UNAUDITED

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

(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	(A) INTERNAL SERVICE FUNDS	(B) CAPITAL RELATED ITEMS	(C) LONG-TERM DEBT TRANSACTIONS	(D) OTHER MEASUREMENT FOCUS ADJUSTMENTS	STATEMENT OF ACTIVITIES TOTALS
REVENUES:						
Taxes:						
Individual and Fiduciary Income	$ 4,496,085	$ -	$ -	$ -	$ (2,813)	$ 4,493,272
Corporate Income	393,884	-	-	-	76,220	470,104
Sales and Use	2,267,758	-	-	-	12,939	2,280,697
Excise	794,080	-	-	-	32	794,112
Other Taxes	477,813	-	-	-	8,239	486,052
Licenses, Permits, and Fines	744,717	-	-	-	(24)	744,693
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	6,919,480	-	-	-	1,601	6,921,081
Additions to Permanent Funds	460	-	-	-	-	460
Unclaimed Property Receipts	30,428	-	-	-	-	30,428
Other	220,365	-	38	-	164	220,567
TOTAL REVENUES	17,300,578	189	38	-	96,483	17,397,288
EXPENDITURES:						
Current:						
General Government	559,828	(607)	45,401	-	10,436	615,058
Business, Community, and Consumer Affairs	387,645	62	4,579	-	(18,890)	373,396
Education	777,509	(87)	1,961	-	46	779,429
Health and Rehabilitation	592,239	227	35,913	-	(1,027)	627,352
Justice	1,313,758	199	22,913	-	154	1,337,024
Natural Resources	131,990	41	6,675	-	(507)	138,199
Social Assistance	4,900,700	1,745	10,094	-	(1,740)	4,910,799
Transportation	1,064,152	593	449,078	-	(1,083)	1,512,740
Capital Outlay	328,973	-	(321,091)	-	-	7,882
Intergovernmental:						
Cities	299,523	-	-	-	-	299,523
Counties	2,232,054	-	-	-	-	2,232,054
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
TOTAL EXPENDITURES	17,285,380	5,314	255,347	(130,310)	(12,611)	17,403,120
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	15,198	(5,125)	(255,309)	130,310	109,094	(5,832)
OTHER FINANCING SOURCES (USES):						
Transfers-In	4,780,802	7,900	-	-	-	4,788,702
Transfers-Out	(4,870,936)	(9,482)	-	-	-	(4,880,418)
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
TOTAL OTHER FINANCING SOURCES (USES)	146,565	(1,582)	(21,396)	(234,158)	-	(110,571)
Internal Service Fund Charges to BTAs	-	350	-	-	-	350
NET CHANGE FOR THE YEAR	$ 161,763	$ (6,357)	$ (276,705)	$ (103,848)	$ 109,094	$ (116,053)

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 (part of the fiscal year),
- 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
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 1,090,730	$ -
Investments	271,367	-
Premiums Receivable, net	-	177,261
Student and Other Receivables, net	250,750	10,546
Due From Other Governments	162,204	7,976
Due From Other Funds	9,785	303
Due From Component Units	19,736	-
Inventories	28,927	-
Prepaids, Advances, and Deferred Charges	12,197	-
Total Current Assets	1,845,696	196,086
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	4,539,852	-
Land and Nondepreciable Infrastructure	671,687	-
Total Noncurrent Assets	6,996,098	-
TOTAL ASSETS	8,841,794	196,086
DEFERRED OUTFLOW OF RESOURCES:	6,182	-
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	493,779	372
Due To Other Governments	-	302,542
Due To Other Funds	18,115	2,023
Due To Component Units	524	-
Deferred Revenue	206,458	-
Compensated Absences Payable	13,838	-
Leases Payable	4,731	-
Notes, Bonds, and COPs Payable	78,332	-
Other Current Liabilities	71,753	9,059
Total Current Liabilities	887,530	313,996
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	2,816,012	-
Due to Component Units	2,374	-
Other Postemployment Benefits	124,761	-
Other Long-Term Liabilities	18,036	-
Total Noncurrent Liabilities	3,238,344	-
TOTAL LIABILITIES	4,125,874	313,996
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	2,612,263	-
Restricted for:		
Debt Service	6,280	-
Emergencies	-	-
Permanent Funds and Endowments:		
Expendable	7,603	-
Nonexpendable	73,956	-
Other Purposes	632,909	-
Unrestricted	1,389,091	(117,910)
TOTAL NET ASSETS	$ 4,722,102	$ (117,910)

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
$ 39,200	$ 516,877	$ 1,646,807	$ 20,344
-	2,296	273,663	-
-	-	177,261	-
19,405	24,798	305,499	438
-	7,642	177,822	509
-	4,456	14,544	2,323
-	-	19,736	-
1,232	13,441	43,600	1,256
4,509	1,312	18,018	1,995
64,346	570,822	2,676,950	26,865
-	82,798	409,652	-
-	-	98,146	-
-	24,980	24,980	-
-	41,164	1,282,314	-
-	4,530	122,939	58
3,783	118,013	4,661,648	79,532
-	266,410	938,097	939
3,783	537,895	7,537,776	80,529
68,129	1,108,717	10,214,726	107,394
-	-	6,182	-
6,604	31,425	532,180	12,034
22	28,682	331,246	-
25,622	5,249	51,009	-
-	-	524	-
-	31,704	238,162	435
25	716	14,579	43
-	219	4,950	9,658
-	774	79,106	3,535
28,611	9,315	118,738	258
60,884	108,084	1,370,494	25,963
807	8,733	205,621	6,870
-	-	35,373	-
-	3,941	43,466	54,066
-	-	6,182	-
-	309,276	3,125,288	4,749
-	-	2,374	-
-	-	124,761	-
69	25,709	43,814	-
876	347,659	3,586,879	65,685
61,760	455,743	4,957,373	91,648
3,783	364,715	2,980,761	8,463
-	-	6,280	-
-	12,368	12,368	-
-	-	7,603	-
-	-	73,956	-
-	22,101	655,010	-
2,586	253,790	1,527,557	7,283
$ 6,369	$ 652,974	$ 5,263,535	$ 15,746

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
OPERATING REVENUES:		
Unemployment Insurance Premiums	$ -	$ 782,415
License and Permits	-	80
Tuition and Fees	2,071,659	-
Scholarship Allowance for Tuition and Fees	(506,667)	-
Sales of Goods and Services	1,461,943	-
Scholarship Allowance for Sales of Goods & Services	(22,839)	-
Investment Income (Loss)	1,189	-
Rental Income	15,908	-
Gifts and Donations	19,682	-
Federal Grants and Contracts	1,038,682	1,345,621
Intergovernmental Revenue	12,773	-
Other	239,180	-
TOTAL OPERATING REVENUES	4,331,510	2,128,116
OPERATING EXPENSES:		
Salaries and Fringe Benefits	3,312,104	1,310
Operating and Travel	906,254	2,131,539
Cost of Goods Sold	145,748	-
Depreciation and Amortization	281,243	-
Intergovernmental Distributions	31,919	-
Debt Service	-	-
Prizes and Awards	424	-
TOTAL OPERATING EXPENSES	4,677,692	2,132,849
OPERATING INCOME (LOSS)	(346,182)	(4,733)
NONOPERATING REVENUES AND (EXPENSES):		
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	(119,745)	-
Other Expenses	(146)	-
Other Revenues	5,650	-
TOTAL NONOPERATING REVENUES (EXPENSES)	508,000	4,786
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	161,818	53
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	85,813	-
Additions to Permanent Endowments	34	-
Special and/or Extraordinary Item (See Note 33)	1,493	-
Transfers-In	185,579	-
Transfers-Out	(7,601)	(2,205)
TOTAL CONTRIBUTIONS AND TRANSFERS	265,318	(2,205)
CHANGE IN NET ASSETS	427,136	(2,152)
NET ASSETS - FISCAL YEAR BEGINNING	4,294,966	(115,758)
Prior Period Adjustments (See Note 30)	-	-
Accounting Changes (See Note 30)	-	-
NET ASSETS - FISCAL YEAR ENDING	$ 4,722,102	$ (117,910)

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
$ -	$ -	$ 782,415	$ -
60	84,037	84,177	-
-	217	2,071,876	-
-	-	(506,667)	-
526,285	180,129	2,168,357	192,328
-	-	(22,839)	-
-	11,110	12,299	-
-	1,521	17,429	11,523
-	-	19,682	-
-	403,078	2,787,381	-
-	22,395	35,168	-
836	18,819	258,835	394
527,181	721,306	7,708,113	204,245
9,169	134,889	3,457,472	111,365
57,968	450,089	3,545,850	71,709
11,818	37,871	195,437	7,597
795	7,752	289,790	15,916
-	8,128	40,047	98
-	16,386	16,386	-
334,104	794	335,322	-
413,854	655,909	7,880,304	206,685
113,327	65,397	(172,191)	(2,440)
-	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	(37)
-	64	223	-
-	(9,779)	(129,524)	(3,095)
-	(91)	(237)	(49)
-	-	5,650	-
(55,565)	42,640	499,861	(2,335)
57,762	108,037	327,670	(4,775)
-	10,526	96,339	553
-	-	34	-
-	-	1,493	-
-	3,937	189,516	7,347
(57,871)	(29,633)	(97,310)	(9,482)
(57,871)	(15,170)	190,072	(1,582)
(109)	92,867	517,742	(6,357)
6,478	560,794	4,746,480	22,012
-	(687)	(687)	-
-	-	-	91
$ 6,369	$ 652,974	$ 5,263,535	$ 15,746

UNAUDITED

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

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Tuition, Fees, and Student Loans	$ 1,576,477	$ -
Fees for Service	1,463,612	-
Sales of Products	4,011	-
Gifts, Grants, and Contracts	1,555,609	1,346,347
Loan and Note Repayments	208,295	-
Unemployment Insurance Taxes	-	795,132
Income from Property	27,022	-
Other Sources	80,443	-
Cash Payments to or for:		
Employees	(3,177,156)	-
Suppliers	(955,086)	-
Sales Commissions and Lottery Prizes	-	-
Unemployment Benefits	-	(2,145,149)
Scholarships	(115,391)	-
Others for Student Loans and Loan Losses	(217,940)	-
Other Governments	(31,919)	-
Other	(64,054)	(21)
NET CASH PROVIDED BY OPERATING ACTIVITIES	353,923	(3,691)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers-In	185,579	-
Transfers-Out	(7,601)	(2,205)
Receipt of Deposits Held in Custody	625,728	-
Release of Deposits Held in Custody	(622,860)	-
Gifts and Grants for Other Than Capital Purposes	114,124	-
Intergovernmental Distributions	(22,418)	-
NonCapital Debt Proceeds	2,867	-
NonCapital Debt Service Payments	(2,897)	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	272,522	(2,205)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(669,513)	-
Capital Contributions	14,492	-
Capital Gifts, Grants, and Contracts	64,975	-
Proceeds from Sale of Capital Assets	21,131	-
Capital Debt Proceeds	290,880	-
Capital Debt Service Payments	(247,558)	-
Capital Lease Payments	(44,289)	-
NET CASH FROM CAPITAL RELATED FINANCING ACTIVITIES	(569,882)	-

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

(Continued)

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
$ -	$ 776	$ 1,577,253	$ 3
-	222,672	1,686,284	189,661
526,390	52,850	583,251	1,157
-	412,131	3,314,087	622
-	17,147	225,442	-
-	-	795,132	-
3	198,467	225,492	11,486
896	43,134	124,473	267
(8,400)	(119,620)	(3,305,176)	(85,037)
(28,582)	(168,303)	(1,151,971)	(95,791)
(374,728)	(5,821)	(380,549)	(706)
-	-	(2,145,149)	-
-	-	(115,391)	-
-	(554,190)	(772,130)	-
-	(7,767)	(39,686)	(98)
(14)	(10,971)	(75,060)	(180)
115,565	80,505	546,302	21,384
-	3,937	189,516	5,812
(57,871)	(29,633)	(97,310)	(7,947)
-	11	625,739	529
-	(11)	(622,871)	(271)
-	1,619	115,743	-
(60,645)	-	(83,063)	-
-	-	2,867	7
-	(983)	(3,880)	(7)
(118,516)	(25,060)	126,741	(1,877)
(857)	(64,272)	(734,642)	(66,559)
-	-	14,492	-
-	2,748	67,723	-
-	5,436	26,567	55,603
-	260,228	551,108	-
-	(8,585)	(256,143)	(5,548)
-	(822)	(45,111)	(1,861)
(857)	194,733	(376,006)	(18,365)

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

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	69,480	3,232
Proceeds from Sale/Maturity of Investments	4,508,771	-
Purchases of Investments	(4,404,942)	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	(4,100)	-
NET CASH FROM INVESTING ACTIVITIES	169,209	3,232
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	225,772	(2,664)
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	1,191,812	2,664
Accounting Changes (See Note 30)		
CASH AND POOLED CASH, FISCAL YEAR END	1,417,584	-
CASH AND POOLED CASH, FISCAL YEAR END	$ 1,417,584	$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH		
PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (346,182)	$ (4,733)
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	352,943	1,553
(Gain)/Loss on Disposal of Capital and Other Assets	49	-
Compensated Absences	12,804	-
Interest and Other Expense in Operating Income	(13,329)	-
Net Changes in Assets and Liabilities Related to Operating Activities:		
(Increase) Decrease in Operating Receivables	(36,733)	(89,915)
(Increase) Decrease in Inventories	(73)	-
(Increase) Decrease in Other Operating Assets	2,750	-
Increase (Decrease) in Accounts Payable	2,356	94,087
Increase (Decrease) in Other Operating Liabilities	98,096	(4,683)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 353,923	$ (3,691)
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:		
Capital Assets Funded by the Capital Projects Fund	10,504	-
Capital Assets Acquired by Grants or Donations and Payable Increases	18,190	-
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	451	-
Assumption of Capital Lease Obligation or Mortgage	7,948	-
Financed Debt Issuance Costs	81	-
Derivative Instrument	1,596	-

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
-	64,161	4,572,932	34
-	(17,105)	(4,422,047)	-
(246)	(1,163)	(5,509)	114
560	57,076	230,077	190
(3,248)	307,254	527,114	1,332
42,448	292,421	1,529,345	18,913
-	-	-	99
39,200	599,675	2,056,459	20,344
$ 39,200	$ 599,675	$ 2,056,459	$ 20,344
$ 113,327	$ 65,397	$ (172,191)	$ (2,440)
795	7,752	289,789	15,916
-	(11,109)	(11,109)	(54)
3	40,001	394,500	661
-	(228)	(179)	4
(145)	(638)	12,021	4,290
-	(4,130)	(17,459)	162
577	201,600	75,529	(1,745)
38	(784)	(819)	28
(526)	219	2,443	(1,453)
2,971	(210,533)	(111,119)	5,977
(1,475)	(7,044)	84,894	38
$ 115,565	$ 80,505	$ 546,302	$ 21,384
-	-	10,504	-
-	7,778	25,968	1,929
-	-	99,637	-
110	-	1,440	652
-	-	-	1,376
-	-	451	-
-	-	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
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 41,102	$ 122,495	$ 1,173,668
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
TOTAL ASSETS	62,436	4,204,913	$ 1,337,845
LIABILITIES:			
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
TOTAL LIABILITIES	28,140	20,257	$ 1,337,848
NET ASSETS:			
Held in Trust for:			
Pension/Benefit Plan Participants	33,830	-	
Individuals, Organizations, and Other Entities	-	4,184,656	
Unrestricted	466	-	
TOTAL NET ASSETS	$ 34,296	$ 4,184,656	

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
ADDITIONS:		
Additions By Participants	$ -	$ 812,330
Member Contributions	79,525	-
Employer Contributions	205,726	-
Investment Income/(Loss)	402	615,230
Employee Deferral Fees	1,062	-
Unclaimed Property Receipts	-	34,957
Other Additions	7,175	2,867
Transfers-In	405	-
TOTAL ADDITIONS	294,295	1,465,384
DEDUCTIONS:		
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
TOTAL DEDUCTIONS	285,294	687,212
CHANGE IN NET ASSETS	9,001	778,172
NET ASSETS - FISCAL YEAR BEGINNING	25,295	3,406,484
NET ASSETS - FISCAL YEAR ENDING	$ 34,296	$ 4,184,656

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
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 22,125	$ 104,179	$ 27,169
Investments	-	-	-
Contributions Receivable, net	-	-	21,604
Other Receivables, net	89,304	86,296	213
Due From Other Governments	-	1,719	-
Inventories	15,414	-	-
Prepaids, Advances, and Deferred Charges	9,688	-	2,017
Total Current Assets	136,531	192,194	51,003
Noncurrent Assets:			
Restricted Cash and Pooled Cash	-	108,892	-
Restricted Investments	20,300	304,489	-
Restricted Receivables	15,053	4,582	-
Restricted Securities Not Held for Investment	-	48,677	-
Investments	510,937	-	985,509
Contributions Receivable, net	-	-	24,976
Net Pension Asset	6,922	-	-
Other Long-Term Assets	10,912	1,221,201	-
Depreciable Capital Assets and Infrastructure, net	553,054	48	3,124
Land and Nondepreciable Infrastructure	13,154	-	-
Total Noncurrent Assets	1,130,332	1,687,889	1,013,609
TOTAL ASSETS	1,266,863	1,880,083	1,064,612
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	57,595	18,009	5,550
Due To Other Governments	-	397	-
Deferred Revenue	-	568	469
Compensated Absences Payable	16,406	-	-
Claims and Judgments Payable	-	-	-
Leases Payable	-	-	598
Notes, Bonds, and COPs Payable	13,591	63,795	-
Other Current Liabilities	15,252	109,211	10,177
Total Current Liabilities	102,844	191,980	16,794
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	-	201,109
Capital Lease Payable	-	-	2,746
Notes, Bonds, and COPs Payable	513,541	1,047,011	-
Other Long-Term Liabilities	27,591	73,937	17,594
Total Noncurrent Liabilities	541,132	1,120,948	221,449
TOTAL LIABILITIES	643,976	1,312,928	238,243
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	68,171	48	(220)
Restricted for:			
Emergencies	-	-	-
Expendable	-	-	467,479
Nonexpendable	-	-	302,991
Other Purposes	16,004	501,647	-
Unrestricted	538,712	65,460	56,119
TOTAL NET ASSETS	$ 622,887	$ 567,155	$ 826,369

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

UNAUDITED

COLORADO STATE UNIVERSITY FOUNDATION	COLORADO SCHOOL OF MINES FOUNDATION	UNIVERSITY OF NORTHERN COLORADO FOUNDATION	OTHER COMPONENT UNITS	TOTAL
$ 1,231	$ 10,666	$ 1,572	$ 18,769	$ 185,711
-	-	-	72,810	72,810
3,013	6,926	690	4,243	36,476
-	2,820	367	1,922	180,922
-	-	-	-	1,719
-	-	-	-	15,414
203	-	-	21	11,929
4,447	20,412	2,629	97,765	504,981
-	952	-	-	109,844
-	-	-	-	324,789
-	-	-	-	19,635
-	-	-	-	48,677
232,992	181,962	83,599	19,095	2,014,094
16,614	9,953	852	-	52,395
-	-	-	-	6,922
485	287	109	17,224	1,250,218
272	299	1,023	122,816	680,636
-	-	-	20,256	33,410
250,363	193,453	85,583	179,391	4,540,620
254,810	213,865	88,212	277,156	5,045,601
1,040	1,284	1,424	250	85,152
-	-	-	-	397
-	-	-	9,232	10,269
-	-	-	-	16,406
-	-	-	26,910	26,910
-	-	-	-	598
-	-	-	291	77,677
-	-	-	89	134,729
1,040	1,284	1,424	36,772	352,138
10,692	12,952	696	-	225,449
-	-	-	-	2,746
-	-	-	627	1,561,179
872	10,455	224	16,612	147,285
11,564	23,407	920	17,239	1,936,659
12,604	24,691	2,344	54,011	2,288,797
272	299	1,023	142,115	211,708
-	-	-	24	24
106,926	50,221	18,460	-	643,086
121,063	120,869	56,199	-	601,122
-	-	-	55,275	572,926
13,945	17,785	10,186	25,731	727,938
$ 242,206	$ 189,174	$ 85,868	$ 223,145	$ 2,756,804

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
OPERATING REVENUES:			
Fees	$ -	$ 47,869	$ 5,100
Sales of Goods and Services	771,489	-	-
Investment Income (Loss)	-	14,194	-
Rental Income	-	-	-
Gifts and Donations	-	-	91,229
Federal Grants and Contracts	-	6,475	-
Other	24,488	95	771
TOTAL OPERATING REVENUES	795,977	68,633	97,100
OPERATING EXPENSES:			
Salaries and Fringe Benefits	304,757	1,293	-
Operating and Travel	163,208	19,530	20,795
Cost of Goods Sold	159,956	-	-
Depreciation and Amortization	36,342	9	-
Debt Service	-	50,961	-
Foundation Program Distributions	-	-	70,682
TOTAL OPERATING EXPENSES	664,263	71,793	91,477
OPERATING INCOME (LOSS)	131,714	(3,160)	5,623
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income (Loss)	39,434	-	80,157
Gifts and Donations	-	-	-
Gain/(Loss) on Sale or Impairment of Capital Assets	235	-	-
Debt Service	(23,606)	-	-
Other Expenses	(1,024)	-	-
Other Revenues	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	15,039	-	80,157
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	146,753	(3,160)	85,780
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	4,902	62,623	-
TOTAL CONTRIBUTIONS AND TRANSFERS	4,902	62,623	-
CHANGE IN NET ASSETS	151,655	59,463	85,780
NET ASSETS - FISCAL YEAR BEGINNING	471,232	507,692	740,589
NET ASSETS - FISCAL YEAR ENDING	$ 622,887	$ 567,155	$ 826,369

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
$ -	$ -	$ -	$ 83,578	$ 136,547
-	-	-	-	771,489
-	-	-	(142)	14,052
-	-	-	777	777
27,307	13,196	4,145	-	135,877
-	-	-	1,319	7,794
4	253	1,510	2,529	29,650
27,311	13,449	5,655	88,061	1,096,186
-	-	-	-	306,050
1,963	2,626	3,095	120,225	331,442
-	-	-	-	159,956
-	-	-	4,066	40,417
-	-	-	-	50,961
31,904	10,991	6,893	-	120,470
33,867	13,617	9,988	124,291	1,009,296
(6,556)	(168)	(4,333)	(36,230)	86,890
25,843	19,739	8,732	1,284	175,189
-	-	-	9,339	9,339
-	-	-	-	235
-	-	-	-	(23,606)
-	-	-	-	(1,024)
-	-	-	29,624	29,624
25,843	19,739	8,732	40,247	189,757
19,287	19,571	4,399	4,017	276,647
-	-	-	-	67,525
-	-	-	-	67,525
19,287	19,571	4,399	4,017	344,172
222,919	169,603	81,469	219,128	2,412,632
$ 242,206	$ 189,174	$ 85,868	$ 223,145	$ 2,756,804

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
OPERATING REVENUES:			
Fees	$ 136,547	Charges for Services	$ 136,548
Sales of Goods and Services	771,489	Charges for Services	771,489
Investment Income (Loss)	14,052	Unrestricted Investment Earnings	14,052
Rental Income	777	Charges for Services	777
Gifts and Donations	135,877	Operating Grants & Contributions	135,877
Federal Grants and Contracts	7,794	Operating Grants & Contributions	7,794
Other	29,650	Charges for Services	24,583
		Operating Grants & Contributions	2,537
		Payment from State	2,530
TOTAL OPERATING REVENUES	1,096,186		
OPERATING EXPENSES:			
Salaries and Fringe Benefits	306,050	Expenses	306,050
Operating and Travel	331,442	Expenses	331,442
Cost of Goods Sold	159,956	Expenses	159,956
Depreciation and Amortization	40,417	Expenses	40,417
Debt Service	50,961	Expenses	50,961
Foundation Program Distributions	120,470	Expenses	120,470
TOTAL OPERATING EXPENSES	1,009,296		
OPERATING INCOME (LOSS)	86,890		
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income (Loss)	175,189	Unrestricted Investment Earnings	102,508
		Operating Grants & Contributions	72,681
Gifts and Donations	9,339	Payment from State	9,339
Gain/(Loss) on Sale or Impairment of Capital Assets	235	Operating Grants & Contributions	235
Debt Service	(23,606)	Expenses	(23,606)
Other Expenses	(1,024)	Expenses	(1,024)
Other Revenues	29,624	Payment from State	29,181
		Capital Grants & Contributions	442
TOTAL NONOPERATING REVENUES (EXPENSES)	189,757		
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	276,647		
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	67,525	Operating Grants & Contributions	64,882
		Capital Grants & Contributions	2,643
TOTAL CONTRIBUTIONS AND TRANSFERS	67,525		
CHANGE IN NET ASSETS	344,172		344,172
NET ASSETS - FISCAL YEAR BEGINNING	2,412,632		2,412,632
NET ASSETS - FISCAL YEAR ENDING	$ 2,756,804		$ 2,756,804

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

NOTES TO THE FINANCIAL STATEMENTS

NOTES 1 Through 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

NOTE 1 – GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

NOTE 2 – REPORTING ENTITY

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

Financial accountability is defined in GASB Statement No. 14 – The Financial Reporting Entity. The State is financially accountable for those entities for which the State appoints a voting majority of the governing board and either is able to impose its will upon the entity or there exists a financial benefit or burden relationship with the State.

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

The following entities qualify as discretely presented component units:

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

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

The University of Colorado Hospital Authority, CoverColorado, the Higher Education Competitive Research Authority, and the Renewable Energy Authority 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 four foundations meet the GASB Statement No. 39 criteria discussed above and are included because they are deemed by management to be individually significant.

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

University of Colorado Hospital Authority
Chief Financial Officer
Mail Stop F-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 17th 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

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

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

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

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

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

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

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

The government-wide financial statements focus on the government as a whole. The *Statement of Net Assets* and the *Statement of Activities* are presented using the economic resources measurement focus and the full accrual basis of accounting. Under this presentation, all revenues, expenses, and all current and long-term assets and liabilities of the government are reported including capital assets, deprec-iation, 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, and the Statewide Internet Portal Authority, 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 special revenue fund, the Public School Building Fund, previously a nonmajor special revenue fund, and portions of the Other Special Revenue Funds were moved into the General Fund. As a result of comingling current and cumulative special-purpose revenue into the General Fund, combining statements are included as supplementary information in the Comprehensive Annual Financial Report. 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 combing statement 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 in the Comprehenseive Annual Financial Report (CAFR). 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, the Inventory 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 Construction, which is primarily funded from general-purpose revenue, and Special Capital Construction Fund, which is primarily funded with dedicated revenues, are presented similar to nonmajor funds.

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

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

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

PROPRIETARY FUND TYPE (NONMAJOR):

Enterprise Funds
The State uses enterprise funds to account for activities that charge fees, primarily to external users, to recover the costs of the activity. In some instances, the requirement to recover costs is a legal mandate, and in others it is due to management's pricing policy. The individual nonmajor funds reported 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 included 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. Individual financial statements of this plan are presented in Note 20.

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. 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, 2010.

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 six 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, 2009, with the exception of the Denver Metropolitan Major League Baseball Stadium District and CoverColorado which are presented as of December 31, 2010, and the Higher Education Competitive Research Authority and the Statewide Internet Portal Authority which are presented as of June 30, 2010.

The four foundations presented as component units all follow Financial Accounting Standards Board statements applicable to not-for-profit entities. The foundation's audited not-for-profit financial statements have been recast into the governmental format as allowed by GASB Statement No. 39. Financial information for the four foundation component units is presented as of June 30, 2010.

NOTE 5 – BASIS OF ACCOUNTING

Primary Government

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

FUND-LEVEL FINANCIAL STATEMENTS

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

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

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

Expenditures are recognized in governmental funds when:

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

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

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

Component Units

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

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

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

A. CASH AND POOLED CASH

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

B. RECEIVABLES

Component Units

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

C. INVENTORY

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

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

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

D. INVESTMENTS

Primary Government

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

Component Units

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

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

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

E. CAPITAL ASSETS

Primary Government

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

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

(Amounts in Dollars)

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

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

(Amounts in Years)

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

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

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

Component Units

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

F. DEFERRED REVENUE

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

G. ACCRUED COMPENSATED ABSENCES LIABILITY

Primary Government

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

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

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

Component Units

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

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

H. INSURANCE

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

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

I. NET ASSETS AND FUND BALANCES

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

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

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

<u>Invested in Capital Assets Net of Related Debt</u> – 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.

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

<u>Restricted for Education</u> – 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.

<u>Restricted for Unemployment Insurance</u> – 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.

<u>Restricted for Debt Service</u> – 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 $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 $20.6 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 $19.6 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 Construction and Highway Maintenance and Education 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 Construction and Highway Maintenance is held in the General Fund (special-purpose) by the Department of Corrections for energy efficiency projects and $387.1

million in Education for public school construction under the BEST program. Fund balance of $175.5 million in Construction and Highway Maintenance is held in the Capital Projects Fund by the 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 Center.

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. The Governor is required 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 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 $21.2 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 rollfoward 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 those 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 cost 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 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

Primary Government

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 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, 2011, were $170,164,149 as described in the following paragraphs.

Approved Medicaid Overexpenditures:

- <u>Medicare Modernization Act of 2003 State Contribution</u> – 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.
- <u>Medicaid Mental Health Capitation Payments</u> – The Department of Health Care Policy and Financing over expended 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.
- <u>Medical Services Premiums</u> – The Department of Health Care Policy and Financing overexpended this line item by $6,237,770 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. Overexpenditures in this line item also created duplicate cash fund overexpenditures 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.
- <u>Medicaid Mental Health Fee for Service Payments</u> - 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, and the underearning of tobacco tax revenue.

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

- Office of Operations; Administration; Utilities – The Department of Human Services overexpended this line item by $121,948 in general funds. The department stated that historically this line has been underfunded and it has been unable to mitigate the shortfall by requiring programs to absorb the excess utility costs.

- 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.

- Administration & Support, Special Environmental Programs, Waste Tire Program – The Department of Public Health and Environment overexpended this line item by $609,320 in cash funds. House Bill 10-1018 authorized the department to manage the Waste Tire Program, and amended the Process and End Users Fund. The ability to spend fees collected above the appropriated level pursuant to the new legislation was misinterpreted. As a result, fees collected above the appropriated amounts were spent.

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 $588,000. 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 Benefit Payments – The Department of Labor and Employment overexpended the Unemployment Insurance Compensation Fund by $128,416,383. The overexpenditure occurred because of national and state economic recessions and high unemployment rates have led to unemployment insurance benefits that exceeded unemployment insurance premiums, requiring the State to borrow from the United States Treasury in order to pay regular unemployment benefits.

The deferral of Medicaid expenditures and revenues for budget purposes only is authorized in CRS 25.5-8-108(5). However, these expenditures and revenues are recognized on the basis of generally accepted accounting principles (GAAP). On a GAAP basis due to recording expenditures and lesser amounts of revenue than were deferred into Fiscal Year 2011-12 for budget purposes, the following cash funds were in deficit fund balance position 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 - $ 480,560
  Prevention, Detection and
  Treatment Fund - $197,704
  Colorado Immunization Fund - $ 30,249

Because the deferral is in compliance with Colorado statute, the GAAP fund balance deficit in these funds does not result in a legal overexpenditure.

The General Fund Surplus Schedule (page 125) shows a negative reversion of $3.86 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 TABOR revenue during the five-year period, with certain adjustments, 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 $1.26 billion, and over the original TABOR limit by $770.3 million. As a result of the ESRC replacing the original TABOR limit as the trigger point for refunds, refunds of $770.3 million that would have occurred under the original 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 $282,738,904.

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 $18,038,904 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, the Cash and Pooled Cash line on the financial statements includes $6,141.1 million ($6,146.8 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 $702.0 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, $358.6 million of the State's total bank balance of $705.3 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 $22.1 million at June 30, 2010, and a related bank balance of $31.8 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 $6.0 million at December 31, 2009 – of that amount $5.7 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.
- 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.

NOTE 11 – RECEIVABLES

Primary Government

The Taxes Receivable of $1,008.0 million shown on the government-wide *Statement of Net Assets* primarily comprises:

- $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*,
- $26.8 million recorded in nonmajor special revenue funds, of which, approximately $10.7 million is from gaming tax, and $12.9 million is insurance premium tax,
- $177.3 million of unemployment insurance premiums recorded in the Unemployment Insurance Fund, and
- $12.4 million in the Tobacco Tax Fund, a portion of the nonmajor Tobacco Impact Mitigation Fund.

In addition, $54.7 million of Taxes Receivable, $32.8 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 $454.1 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:

- $250.8 million of student and other receivables of Higher Education Institutions.
- $43.7 million of receivables recorded in the General Purpose Revenue 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.
- $78.4 million of receivables recorded by Other Governmental Funds including $44.8 million of tobacco settlement revenues expected within the following year, $5.1 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 $771.5 million, which it recorded net of third-party contractual allowances ($1,602.0 million), indigent and charity care ($201.7 million), provision for bad debt ($49.0 million), and self-pay discounts ($47.0 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 $34.2 million for Fiscal Year 2009-10. 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 $11.3 million out of $302.9 million collected by the State in hospital provider fees for Fiscal Year 2009-10.

The University of Colorado Hospital Authority has a significant concentration of patient accounts receivable with Medicare (27 percent), Medicaid (11 percent), managed care (41 percent), other commercial insurance (2 percent), and self-pay and medically indigent (14 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 2009-10 was approximately $242.6 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, 2010, the hospital reported $5.3 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 $21.6 million and $25.0 million are reported as Contributions Receivable current and noncurrent, respectively, in the *Statement of Net Assets – Component Units*. At June 30, 2010, the amount reported as contributions receivable includes $55.3 million of unconditional promises to give which were offset by a $7.3 million allowance for uncollectible contributions and a $1.4 million unamortized pledge discount using discount rates ranging from .18 percent to 6.31 percent.

At June 30, 2010, the Contributions Receivables amount shown for the Colorado State University Foundation included contributions of $23.7 million, which were offset by $3.8 million of unamortized pledge discounts calculated using the five-year U.S. Treasury note rate and $0.3 million of allowance for uncollectible pledges. At June 30, 2010, contributions from one donor represented approximately 46 percent of total contributions receivable for the foundation.

At June 30, 2010, the combined current and noncurrent Contributions Receivable amount shown for the Colorado School of Mines Foundation of $16.9 million was offset by $0.8 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 50 percent of the foundation's contributions receivable at June 30, 2010, consists of pledges from one donor in 2010, and approximately $3.2 million is due from irrevocable remainder trusts.

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 $20.8 million of accounts receivable from insurance companies that are reported as Contributions Receivable ($4.2 million) and Other Long-Term Assets ($16.6 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 by the General Purpose Revenue Fund, and $1.0 million by Wildlife, a nonmajor enterprise fund.

NOTE 13 – PREPAIDS, ADVANCES, AND DEFERRED CHARGES

Prepaids, Advances, and Deferred Charges of $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.

Colorado State University, which is reported in the Higher Education Institutions Fund, held $949,961 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)	$ 701,982
Investments:	
Governmental Activities	7,296,590
Business-Type Activities	1,653,541
Fiduciary Activities	4,068,138
Total	$ 13,720,251
Financial Statement Amounts	
Net Cash and Pooled Cash	$ 4,750,271
Add: Warrants Payable Included in Cash	233,496
Total Cash and Pooled Cash	4,983,767
Add: Restricted Cash	1,818,536
Add: Restricted Investments	738,831
Add: Investments	6,179,117
Total	$ 13,720,251

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 Other Governmental funds primarily comprises the issuance trustees' deposit of proceeds from Certificates of Participation issued for local school district capital construction ($293.6 million – Build Excellent Schools Today program primarily reported in the Public School Buildings Fund, a special-purpose General Fund), Ralph L. Carr Justice Complex ($143.4 million reported in a Special Capital Projects Fund), and the Colorado History Center ($18.3 million reported in a Special Capital Projects Fund). The trustees have selected the State Treasurer's pool as their primary investment vehicle. The Treasurer accounts for the trustees' deposits in agency funds, and the investment types and related risks are disclosed through the Treasurer's pool investments.

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

(Amounts in Thousands)

	Governmental Activities				
	Treasurer's Pool	General Fund	State Education	Other Governmental	Total
INVESTMENT TYPE					
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	-	-	-	21,190	21,190
Other	-	-	-	458,384	458,384
TOTAL INVESTMENTS	$ 6,100,342	$ 6,578	$ 46,265	$ 1,143,405	$ 7,296,590

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 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)

	Business-Type Activities			Fiduciary
	Higher Education Institutions	Other Enterprises	Total	Fiduciary
INVESTMENT TYPE				
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	-	837,678	4,015,280
Other	160,031	-	160,031	38,698
TOTAL INVESTMENTS	$ 1,610,643	$ 42,898	$ 1,653,541	$ 4,068,138

	Higher Education Institutions	Other Enterprises	Total	Fiduciary
INVESTMENTS SUBJECT TO CUSTODIAL RISK				
U.S. Government Securities	$ 144	$ -	$ 144	$ 2,534
Corporate Bonds	4,227	-	4,227	-
Corporate Securities	8,261	-	8,261	-
Repurchase Agreements	-	-	-	748
Mortgages Securities	9	-	9	-
TOTAL SUBJECT TO CUSTODIAL RISK	$ 12,641	$ -	$ 12,641	$ 3,282

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 $36.9 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 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
Treasurer's Pool:										
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
Higher Education Institutions:										
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
Fiduciary Funds:										
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
All Other Funds:										
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 that follows 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)

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

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 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). 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
Enterprise Funds:		
Higher Education Institutions:		
University of Colorado:		
U.S. Treasury Bonds and Notes	$ 57,672	6.330
U.S. Treasury Strips	942	18.900
U.S. Government Agency Notes	64,412	2.980
U.S. Government Agency Strips	16,111	1.160
Municipal Bonds	1,378	17.650
Corporate Bonds	105,436	5.820
Asset Backed Securities	181,471	14.130
Bond Mutual Funds	127,481	2.380
Colorado State University:		
Bond Mutual Funds	$ 851	1.870
Colorado School of Mines:		
Corporate Bonds	$ 2,199	5.000
Colorado Mesa University:		
U.S. Government Securities	$ 796	4.235
Corporate Bonds	639	2.942
Money Market Mutual Funds	41	0.164
Bond Mutual Funds	149	7.864
Private Purpose Trust:		
CollegeInvest:		
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	1,110	8.800
Bond Mutual Fund-8	173	13.800

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 Rouble - $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 – 11.6 percent, Eli Lilly – 11.6 percent, Verizon – 11.4 percent, General Electric – 11.5 percent, and Bank of America – 11.6 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.

CollegeInvest has a concentration of credit risk in its Prepaid Tuition Fund, a nonmajor enterprise fund because the following holdings each exceed 5 percent of the total investments in the fund; Goldman Sachs – 8.6 percent, Merrill Lynch – 8.4 percent, Citigroup – 5.7 percent, and Wells Fargo – 5.4 percent. CollegeInvest's policy for this fund prohibits holdings in excess of between 5 and 10 percent with any one issuer contingent on the individual investment.

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
Governmental Activities:		
Major Funds		
General Fund	$ (5,940)	$ 8,175
Resource Extraction	(3,335)	3,866
Highway Users Tax	(6,963)	8,090
Capital Projects	(2,738)	(2,514)
State Education	(3,472)	(1,016)
NonMajor Funds:		
State Lands	(5,192)	15,628
Other Permanent Trusts	(44)	61
Labor	(331)	4,829
Gaming	(1,009)	1,042
Tobacco Impact Mitigation	(2,143)	(317)
Resource Management	(85)	236
Environment Health Protection	(1,186)	1,871
Other Special Revenue	(193)	1,052
Unclaimed Property	(1,650)	3,197
Information Technology	140	-
Highways (Internal Service)	(12)	(1)
Administrative Courts	17	-
Other Internal Service	3	-
Business-Type Activities:		
Major Funds		
Higher Education Institutions	95,536	75,707
Lottery	(246)	374
NonMajor Funds:		
CollegeInvest	1,834	6,237
Wildlife	(451)	355
College Assist	(619)	659
State Fair Authority	(8)	4
Correctional Industries	(46)	46
State Nursing Homes	(42)	8
Prison Canteens	(86)	24
Petroleum Storage Tank	(22)	(21)
Transportation Enterprise	(272)	948
Other Enterprise Activities	(47)	(24)
Fiduciary:		
Pension/Benefits Trust	(437)	397
Private Purpose Trust	562,745	413,976
	$ 623,706	$ 542,889

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, 2010:

(Amounts in Thousands)

	Total
INVESTMENT TYPE	
Cash Equivalents	$ 32,439
U.S. Government Securities	111,697
Corporate Bonds	53,840
Corporate Securities	213,752
Asset Backed Securities	8,001
Mutual Funds	108,152
Guaranteed Investment Contracts	19,017
Other	(5,034)
TOTAL INVESTMENTS	$ 541,864

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)

	Total
INVESTMENT TYPE	
U.S. Government Securities	$ 113,190
Repurchase Agreements	191,299
TOTAL INVESTMENTS	$ 304,489

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, 2010:

(Amounts In Thousands)

	U.S. Govt. Agencies	Corporate Bonds	Asset Backed Securities	Guaranteed Investment Contract	Total
Long-term Ratings					
Gilt Edge	$ 18,404	$ 1,140	$ -	$ 3,896	$ 23,440
High Grade	-	25,566	8,001	15,123	48,690
Upper Medium	-	26,160	-	-	26,160
Speculative	-	974	-	-	974

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. On August 15, 2011, the U.S. Government's credit rating was downgraded by Standard & Poors. 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, 2010:

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Duration
U.S. Government Securities	$ 38,801	2.853
Corporate Bonds	53,840	2.781
Asset Backed Securities	8,001	2.110

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 put agreements that allow it to sell U.S. Treasury bonds at fixed amounts that will provide the authority with funds to make debt service payments in the event that a borrower fails to make loan payments to the authority.

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, 2010, the authority had the following foreign currency exposures in United States dollars: Euro Dollar - $12,646,000, British Pound - $7,819,000, Swiss Franc - $3,364,000, Chinese Yuan - $2,601,000, Japanese Yen - $2,438,000, Brazilian Real - $1,602,000, Canadian Dollar - $1,580,000, Danish Krone - $1,069,000, and South Korean Wan - $1,026,000. An additional $6,704,000 was held in various international currencies, none of which exceeded $1.0 million.

Concentration of Credit Risk

At June 30, 2010, 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, 2010, the University of Colorado Hospital Authority was party to a floating-to-fixed rate swap having a notional value of $71.6 million and a floating-to-fixed rate swap having a notional value of $101.9 million. At June 30, 2010, the agreements had fair values of ($9,786,000) and ($15,525,000), respectively, and are scheduled to terminate in 2031 and 2033, respectively.

In September 2009, the hospital sold a fixed-to-floating rate swap with a notional value of $50.0 million for $1,780,000, net of commissions and other transactions costs.

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 2009-10, the three swaps produced a net cash outflow of approximately $5.04 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, 2010, the University of Colorado Foundation held $129.1 million of domestic equity securities, $154.0 million of international equity securities, $177.2 million of fixed income securities, $419.9 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 gain of $78.2 million is net of $5.2 million of investment fees and comprises $9.9 million of interest and dividends, $20.3 million of realized gains, and $53.2 million of unrealized gains.

At June 30, 2010, the Colorado State University Foundation held $94.6 million of equity securities, $73.4 million of alternative investments (comprised of absolute return and long/short investments), $13.5 million of fixed income securities, and $50.8 million of other investments (comprised of natural resources and private equity investments).

The Colorado School of Mines Foundation's (CSMF) current spending policy allows 6.0 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, 2010, the CSMF held bonds and bond mutual funds totaling $35.1 million, stocks and stock mutual funds totaling $53.0 million, and investments in limited partnerships and real estate totaling $65.2 million in its long-term investments pool.

Of the foundation's $182.0 million of investments, $15.5 million, or 8.5 percent, was related to split interest agreements. CSMF is also the beneficiary of an endowment valued at $6.6 million and several long-term trusts valued at $1.1 million which are reported as Investments on the *Statement of Net Assets – Component Units.* Forty-one percent of the foundation's investment portfolio is invested in limited partnerships and venture capital organizations, some of which are offshore entities and some of which include derivative investments. Since there is no ready market available for these investments, the estimated value may vary significantly from a valuation at a subsequent date.

At June 30, 2010, the University of Northern Colorado Foundation held $41.3 million of equity securities, $21.5 million of bonds, and $11.9 million of other investments. The foundation's investment gain of $8.7 million is net of $0.4 million of management fees and comprises $6.7 million of net realized and unrealized gains, and $2.5 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 the University of Colorado and its blended component units. The treasurer determines the fair value of the pool's investments at each month-end for performance tracking purposes. Short-term realized gains, losses, and interest earnings, adjusted for amortization of investment premiums and discounts, are distributed monthly. If the statutes authorize the participant to receive interest and investment earnings, these gains or losses are prorated according to the average of the participant's daily balance during the month.

NOTE 16 – CAPITAL ASSETS

Primary Government

During Fiscal Year 2010-11 the State capitalized $34.1 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 $33.6 million, and the remainder capitalized by 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	Ending Balance
GOVERNMENTAL ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	$ 144,268	$ 3,235	$ 210	$ (4,073)	$ 143,640
Land Improvements	9,638	-	-	(131)	9,507
Collections	8,955	21	-	-	8,976
Construction in Progress (CIP)	613,385	569,302	(450,915)	(9,108)	722,664
Infrastructure	860,978	-	19,562	-	880,540
Total Capital Assets Not Being Depreciated	1,637,224	572,558	(431,143)	(13,312)	1,765,327
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	103,582	2,316	-	(1,034)	104,864
Buildings	1,558,447	1,998	244,694	(1,888)	1,803,251
Software	173,396	14,772	18,102	3,211	209,481
Vehicles and Equipment	646,074	68,388	2,453	(70,201)	646,714
Library Materials and Collections	6,178	424	-	(166)	6,436
Other Capital Assets	34,707	20,263	-	(17,174)	37,796
Infrastructure	9,312,574	179	165,894	(13,006)	9,465,641
Total Capital Assets Being Depreciated	11,834,958	108,340	431,143	(100,258)	12,274,183
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)	(19,438)	-	(2,815)	(99,402)
Vehicles and Equipment	(388,023)	(46,239)	-	38,147	(396,115)
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)
Total Accumulated Depreciation	(2,145,042)	(831,208)	-	39,173	(2,937,077)
Total Capital Assets Being Depreciated, net	9,689,916	(722,868)	431,143	(61,085)	9,337,106
TOTAL GOVERNMENTAL ACTIVITIES	11,327,140	(150,310)	-	(74,397)	11,102,433
BUSINESS-TYPE ACTIVITIES:					
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	591,033	(853,161)	(33,458)	533,490
Infrastructure	26	-	1,022	-	1,048
Total Capital Assets Not Being Depreciated	1,207,048	618,717	(851,825)	(35,843)	938,097
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	432,547	7,093	17,529	(21,771)	435,398
Buildings	5,048,924	80,722	806,233	9,937	5,945,816
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
Total Capital Assets Being Depreciated	6,873,418	194,594	851,825	(62,982)	7,856,855
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(195,854)	(18,981)	-	1,427	(213,408)
Buildings	(1,805,041)	(172,301)	-	8,008	(1,969,334)
Software	(30,402)	(14,745)	-	649	(44,498)
Vehicles and Equipment	(584,668)	(61,820)	-	33,905	(612,583)
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)
Total Accumulated Depreciation	(2,960,647)	(289,790)	-	55,230	(3,195,207)
Total Capital Assets Being Depreciated, net	3,912,771	(95,196)	851,825	(7,752)	4,661,648
TOTAL BUSINESS-TYPE ACTIVITIES	5,119,819	523,521	-	(43,595)	5,599,745
TOTAL CAPITAL ASSETS, NET	$ 16,446,959	$ 373,211	$ -	$ (117,992)	$ 16,702,178

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

(Amounts in Thousands)

	Depreciation Amount
GOVERNMENTAL ACTIVITIES:	
General Government	$ 12,707
Business, Community, and Consumer Affairs	4,965
Education	1,917
Health and Rehabilitation	7,192
Justice	33,723
Natural Resources	6,689
Social Assistance	9,476
Transportation	738,622
Internal Service Funds (Charged to programs and BTAs based on useage)	15,917
Total Depreciation Expense Governmental Activities	831,208
BUSINESS-TYPE ACTIVITIES	
Higher Education Institutions	281,242
State Lottery	795
Other Enterprise Funds	7,753
Total Depreciation Expense Business-Type Activities	289,790
Total Depreciation Expense Primary Government	$ 1,120,998

Component Units

At June 30, 2010, the University of Colorado Hospital Authority reported $13.2 million of nondepreciable assets, including land and construction in progress. Depreciable assets included buildings and improvements of $662.4 million and equipment of $238.3 million. Accumulated depreciation related to these capital assets was $347.6 million resulting in net depreciable capital assets of $553.1 million.

During Fiscal Year 2009-10, the hospital implemented a fully integrated electronic medical record system and standardized its human resources and financial systems as part of an IT strategic plan to upgrade key systems used in the hospital over the next five years. Costs incurred as of June 30, 2010, for the overall project approximated $19.8 million.

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 $3.1 million, net of accumulated depreciation of $8.5 million, at June 30, 2010.

NOTE 17 – 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 the water loans 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 WRBP 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 $40.8 million. An additional $7.9 million is reported as short-term.

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 Infoline 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, 2007and 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.

Nowithstanding any other provisions, members first eligible for retirement after January 2, 2011 have a maximum increased 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	
Fiscal Year 2010-11				
1-1-11 to 6-30-11	14.86	14.95	12.25	100
7-1-10 to 12-31-10	14.86	14.05	11.35	100
Fiscal Year 2009-10				
1-1-10 to 6-30-10	17.36	16.55	13.85	100
7-1-09 to 12-31-09	16.46	15.65	12.95	100
Fiscal Year 2008-09				
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 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 preceeding 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 to ensure 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 $139,000 to this plan in Fiscal Year 2009-10. 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 $19.2 million in Fiscal Year 2009-10 to this plan. The amount of the actuarially computed net periodic pension cost was $19.5 million. In Fiscal Year 2008-09, the hospital elected to contribute additional moneys to the plan resulting in a net pension asset of $6.9 million as of June 30, 2010, 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, 2009, 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, 2007. The Authority also provides three other retirement plans, as discussed in Note 20.

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

NOTE 19 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE

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

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

Primary Government

PERA Health Care Trust Fund

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

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

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

Beginning July 1, 2004, the State contribution to the Health Care Trust Fund was 1.02 percent of gross covered wages. The State paid contributions of $24.3, $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 Year Valuation Adjustment	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:

(Amounts In Thousands)

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 covered payroll was $1,023.5 million, and the ratio of UAAL to covered payroll was 33.5 percent.

In the July 1, 2010, actuarial valuation, the unit credit actuarial cost method was used. 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 91st consecutive calendar day of total disability. LTD covers a percentage of the monthly salary up to established caps and continues until recovery, death, or until attained age between 65 and 70 years depending on when the employee became disabled. The University's Board of Governors has the authority to establish and amend benefits provisions for all plans.

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

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

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

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

(Amounts In Thousands)

	RMPR	RMPS
Annual required contribution	$ 2,447	$ 4,137
Interest on net OPEB obligation	211	331
Adjustment to annual required contribution	(176)	(488)
Annual OPEB cost (expense)	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

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)

	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

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

NOTE 20 – OTHER EMPLOYEE BENEFITS

Primary Government

A. MEDICAL AND DISABILITY BENEFITS

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

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

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

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

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

B. EMPLOYEE DEFERRED COMPENSATION PLAN

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State Deferred Compensation Plan which was established for State and local government employees in 1981. At July 1, 2009, the State's administrative functions were transferred to PERA in a fiduciary to fiduciary transfer; all costs of administration and funding are borne by the plan participants. The 457 plan allows for voluntary participation to provide additional benefits at retirement, and all employees may contribute to the 457 plan. At conversion, State employees were the primary participants in the 457 plan`. In calendar year 2010, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution with a temporary increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of $16,500. Participants who are age 50 and older, and contributing the maximum amount allowable, can make an additional $5,500 in 2010, for total contributions of $22,000. Contributions and earnings are tax deferred. At December 31, 2010, the plan had 18,215 participants.

C. OTHER RETIREMENT PLANS

PERA 401k Plan

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

PERA Defined Contribution Retirement Plan

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

STATEMENT OF FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT FUNDS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	GROUP BENEFIT PLANS
ASSETS:	
Current Assets:	
Cash and Pooled Cash	$ 41,102
Other Receivables, net	556
Due From Other Governments	8
Due From Other Funds	20,770
Total Current Assets	62,436
TOTAL ASSETS	62,436
LIABILITIES:	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	14,182
Claims and Judgments Payable	13,904
Total Current Liabilities	28,086
Noncurrent Liabilities:	
Accrued Compensated Absences	54
Total Noncurrent Liabilities	54
TOTAL LIABILITIES	28,140
NET ASSETS:	
Held in Trust for:	
Pension/Benefit Plan Participants	33,830
Investment Trust Participants	
Individuals, Organizations, and Other Entities	
Unrestricted	466
TOTAL NET ASSETS	$ 34,296

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	GROUP BENEFIT PLANS
ADDITIONS:	
Member Contributions	$ 79,525
Employer Contributions	205,726
Investment Income/(Loss)	402
Employee Deferral Fees	1,062
Other Additions	7,175
Transfers-In	405
TOTAL ADDITIONS	294,295
DEDUCTIONS:	
Health Insurance Premiums Paid	129,813
Health Insurance Claims Paid	119,300
Other Benefits Plan Expense	19,121
Other Deductions	16,810
Transfers-Out	250
TOTAL DEDUCTIONS	285,294
CHANGE IN NET ASSETS	9,001
NET ASSETS - FISCAL YEAR BEGINNING	25,295
NET ASSETS - FISCAL YEAR ENDING	$ 34,296

UNAUDITED

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 $6.1 million in Fiscal Year 2009-10. The hospital also provides a single employer tax deferred plan (457b) that did not require hospital contributions. All three plans are administered by third-party investment companies. The financial statements of these pension plans are available from the hospital.

D. TERMINATION BENEFITS

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

NOTE 21 – RISK MANAGEMENT

Primary Government

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

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

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

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

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

From January 1, 2000 through June 30, 2005, the State and its employees purchased insurance for medical claims. Beginning July 1, 2005, the State returned to the self-funding approach (used prior to January 1, 2000) for medical claims except for stop-loss insurance purchased for claims over $200,000 per individual. In Fiscal Year 2010-11, the State recovered approximately $7.0 million related to the stop-loss insurance claims. The State's contribution to medical premiums is subject to appropriation by the legislature each year, and State employees pay the difference between the State's contribution and the premium required to meet actuarial estimates. Since the amount of the State contribution is at the discretion of the legislature, employees ultimately bear the risk of funding the benefit plans. The claims and related liabilities are reported in the Group Benefit Plans, a Pension and Other Employee Benefits Trust Fund (see Note 20).

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

Component Units

In order to manage malpractice claims risk, the University of Colorado Hospital Authority participates in a self-insurance trust called 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 2009-10, the hospital recorded premium and administrative expenses of $719,000. The trust had a fund balance of $2.2 million, which was net of approximately $4.6 million in reserves for losses and loss adjustment expense. The hospital purchases insurance coverage for theft, property damage, injuries and accidents, business interruption, automobile, nonowned aircraft, errors and omissions, fiduciary responsibility, 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	42,823	24,484
Total	$ 5,865	$ 99,698	$ 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 college 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 outside the State 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 $16.6 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)

	Operating Leases		Capital Leases	
Fiscal Year(s)	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
2012	$ 44,369	$ 19,098	$ 17,272	$ 7,170
2013	38,623	15,479	15,872	7,148
2014	33,188	13,743	14,214	6,305
2015	27,520	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	6,134
2032 to 2036	124	830	1,740	793
2037 to 2041	126	645	-	-
2042 to 2046	136	645	-	-
2047 to 2051	61	193	-	-
Total Minimum Lease Payments	210,827	97,498	141,379	65,897
Less: Imputed Interest Costs			33,791	17,481
Present Value of Minimum Lease Payments	$ 210,827	$ 97,498	$ 107,588	$ 48,416

Component Units

The University of Colorado Hospital Authority leases certain equipment under noncancellable operating leases. Rental expense for operating leases approximated $5.2 million for Fiscal Year 2009-10. Future minimum lease payments for these leases at June 30, 2010, are:

(Amounts in Thousands)

Fiscal Year	Amount
2011	$ 3,082
2012	2,560
2013	2,494
2014	2,178
2015	1,964
Thereafter	4,176
Total Minimum Obligations	$ 16,454

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 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 $3.3 million at June 30, 2010. Total minimum lease payments including interest at June 30, 2010, were $4.3 million. The lessor of the building has promised to make a nonreciprocal transfer of the building or its cash equivalent to the foundation on or before September 2014. The net book value of the property and equipment under the capital lease totaled $2.0 million, net of accumulated depreciation of $3.8 million, as of June 30, 2010.

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, 2010 was $194,043. The total minimum rental commitment under the leases was $0.8 million at June 30, 2010.

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 Additions	Changes Reductions	Ending Balance June 30
Governmental Activities:				
Tax Revenue Anticipation Notes	$ -	$ 500,000	$ (500,000)	$ -
Education Loan Anticipation Notes	$ 515,000	325,000	$ (840,000)	-
Total Governmental Activities Short-Term Financing	515,000	825,000	(1,340,000)	-
Business Type Activities				
Short-Term External Loans	40,000	-	(40,000)	-
Total Business Type Activities Short-Term Financing	40,000	-	(40,000)	-
Total Short-Term Financing	$ 555,000	$ 825,000	$ (1,380,000)	$ -

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

Primary Government

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

During Fiscal Year 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 $532.2 million of available net revenue after operating expenses to meet the $174.8 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 38.)

The State recorded $236.7 million of interest costs, of which, $90.1 million was recorded by governmental activities and $146.6 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 $120.3 million of interest on revenue bonds issued by institutions of higher education, and $16.0 million of interest paid to lending institutions that made loans to students under the College Assist loan guarantee program. College Assist is a nonmajor enterprise fund.

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

(Amounts in Thousands)

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

(Amounts in Thousands)

Business-Type Activities

Fiscal Year			Revenue Bonds Principal	Revenue Bonds Interest	Notes Payable Principal	Notes Payable Interest	Certificates of Participation Principal	Certificates of Participation Interest	Totals Principal	Totals Interest
2012			$ 68,115	$ 134,819	$ 477	$ 147	$ 9,964	$ 21,028	$ 78,556	$ 155,994
2013			93,180	132,302	447	129	18,149	20,507	111,776	152,938
2014			76,475	129,106	463	110	18,954	19,715	95,892	148,931
2015			78,670	126,025	483	89	19,834	18,933	98,987	145,047
2016			79,620	122,602	506	65	20,749	18,035	100,875	140,702
2017	to	2021	432,935	558,501	1,098	69	119,895	73,760	553,928	632,330
2022	to	2026	507,950	451,322	60	8	138,715	39,356	646,725	490,686
2027	to	2031	527,140	317,139	-	-	84,960	8,603	612,100	325,742
2032	to	2036	502,195	178,780	-	-	-	-	502,195	178,780
2037	to	2041	324,995	62,706	-	-	-	-	324,995	62,706
2042	to	2046	24,475	3,463	-	-	-	-	24,475	3,463
Subtotals			2,715,750	2,216,765	3,534	617	431,220	219,937	3,150,504	2,437,319
Unamortized Prem/Discount			26,687	-	(31)	-	(684)	-	25,972	-
Unaccreted Interest			(14,592)	-	-	-	-	-	(14,592)	-
Totals			$ 2,727,845	$ 2,216,765	$ 3,503	$ 617	$ 430,536	$ 219,937	$ 3,161,884	$ 2,437,319

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 29 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	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
Totals			$ 42,510	$ 6,488	$ 25,501	$ 74,499

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
Total	$ 4,709,361	$ 6,552	$ 1,370,738	$ 6,086,651

Metropolitan State College of Denver has unconditionally guaranteed the debt service on the October 28, 2010 bond issuance of the Metropolitan State College of Denver Roadrunner Recovery and Reinvestment Finance Authority. 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 2010A bonds had both serial and term components maturing between Fiscal Year 2019-20 and Fiscal Year 2042-43 and interest rates of 4.0 percent to 4.4 percent with yields ranging from 4.0 percent to 4.4 percent. The Series 2010B bonds had maturities between Fiscal Years 2015-16 and 2019-20 and interest rates of 3 percent and 4 percent with yields ranging from 1.9 percent to 3.0 percent. The Series 2010C bonds mature in Fiscal Years 2014-15 and 2015-16 and have interest rates ranging from 1.98 percent to 2.33 percent.

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
Total Future Payments	$ 1,110,340	$ 607,463	$ 1,717,803

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, Series 2005C, Series 2005D, Series 2008A, and 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 August 2009, the University of Colorado Hospital Authority issued $51.8 million of Series 2009A Revenue Bonds with an average interest rate of 5.75 percent. Proceeds from the bonds will be used to fully refund the Series 2006B bonds (see Note 26).

During Fiscal Year 2009-10, the hospital met all the financial ratio requirements of its bond indentures. The hospital's interest payments in Fiscal Year 2009-10 were $22.3 million.

The aggregate maturities of long-term debt for the University of Colorado Hospital Authority at June 30, 2010, are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2011	$ 13,591	$ 23,609	$ 37,200
2012	12,755	23,272	36,027
2013	13,380	22,647	36,027
2014	12,748	22,129	34,877
2015	13,180	21,553	34,733
2016 to 2020	71,515	98,594	170,109
2021 to 2025	90,570	79,607	170,177
2026 to 2030	115,580	54,590	170,170
2031 to 2035	119,170	29,494	148,664
2036 to 2040	78,345	8,828	87,173
Total Long-Term Debt Payments	540,834	$ 384,323	$ 925,157
Less: Unamortized Discount	(1,954)		
Deferred Amount on Refunding of			
Series 1997 A Bonds	(3,610)		
Series 2008 B Bonds	(7,888)		
Series 2009 A Bonds	(250)		
Total Carrying Amount of Long-Term Debt	$ 527,132		

In July 2007, the University of Colorado Foundation established a $20.0 million, three-year committed, unsecured line of credit with a bank. The credit line carried variable interest based on the lending bank's floating prime rate less 125 basis points. No amounts were outstanding at June 30, 2010.

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.

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 Additions	Changes Reductions	Ending Balance June 30	Due Within One Year
Governmental Activities					
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	(3,384)	474,483	-
Total Governmental Activities Long-Term Liabilities	2,724,798	1,160,573	(1,003,710)	2,881,661	213,557
Business-Type Activities					
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	9,812	(44,770)	48,416	4,950
Derivative Instrument Liabilities	7,778	-	(1,596)	6,182	-
Bonds Payable	2,306,693	571,931	(108,270)	2,770,354	68,665
Certificates of Participation	432,699	125,358	(127,522)	430,535	9,964
Notes, Anticipation Warrants, Mortgages	3,925	57	(477)	3,505	477
Other Postemployment Benefits	47,259	95,669	(18,167)	124,761	-
Other Long-Term Liabilities	43,739	11,988	(4,697)	51,030	4,842
Total Business-Type Activities Long-Term Liabilities	3,164,258	847,999	(321,901)	3,690,356	103,477
Fiduciary Activities					
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	-
Total Fiduciary Activities Long-Term Liabilities	786,631	346,701	(17,283)	1,116,049	1,063,241
Total Primary Government Long-Term Liabilities	$ 6,675,687	$2,355,273	$ (1,342,894)	$ 7,688,066	$ 1,380,275

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 Other Postemployment Benefits, Derivative Instrument Liabilities, or Other Long-Term Liabilities (except for CollegeInvest's prepaid tuition costs in the business-type activities).

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

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

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

The $474.5 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).
- $57.3 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 $4.8 million 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
University of Colorado Hospital Authority					
Bonds Payable	$ 528,812	$ 10,926	$ (12,606)	$ 527,132	$ 13,591
Colorado Water Resources and Power Development Authority					
Bonds Payable	$ 974,593	$ 145,195	$ (72,777)	$ 1,047,011	$ 63,795
Other Long-Term Liabilities	$ 126,383	$ 196,559	$ (132,914)	$ 190,028	$ 109,211

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

The University of Colorado Foundation has beneficial interest in various split-interest agreements including charitable gift annuities, charitable remainder trusts (annuity and unitrust), 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, 2010, the foundation held $53.6 million of split interest agreement investments with $33.2 million of related liabilities and reported $3.8 million of net beneficial interest in charitable trusts held by others.

At June 30, 2010, the University of Colorado Foundation held $206.0 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, 2010, total life income agreement assets of CSUF were $662,531. Life income agreements payable at the same date totaled $872,493. 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, 2010, the foundation held $10.7 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, 2010, the Colorado School of Mines Foundation (CSMF), acting as trustee, held charitable trust and pooled income assets of $15.5 million; related liabilities of $10.2 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 $10.2 million shown above and total $5.0 million. At June 30, 2010, CSMF reported $13.0 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

Primary Government

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

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

(Amount in Thousands)

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

The Board of Regents of the University of Colorado issued $19,060,000 of its Enterprise Refunding Revenue Bonds, Series 2010B to partially defease $18,785,000 of its Enterprise Revenue Bonds, Series 2002A and 2003A. The defeased debt had interest an rate of 5.0 percent, and the new debt had an interest rate of 2.47 percent. The remaining term of the debt varied, 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 years of the new debt.

NOTE 27 – POLLUTION REMEDIATION OBLIGATIONS

Primary Government

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 $152.4 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 2018, 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 – 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 $854.2 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, Resource Extraction Fund, and Other Special Revenue Fund, encumbrances of $6.7 million, $.07 million, and $3.8 million, respectively, include approved rollfowards 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-legisatively directed purposes going beyond the fiscal year end, such as insurance proceeds.

NOTE 29 – DERIVATIVE INSTRUMENTS

Primary Government

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. This agreement qualifies as a hedging derivative instrument per GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments, which the State implemented during Fiscal Year 2009-10. 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 Outflow of Resources of $6.2 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 a notional amount of $42.9 million and a market value of ($6.2) million at June 30, 2011, 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 0.23 percent at June 30, 2010. Cash flows between the parties are settled on the net difference. Market value as of June 30, 2010 was 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. As of September 2, 2010, Morgan Stanley received a credit rating of A2 from Moody's and A from Standard & Poors. The School's risk of loss associated with the outstanding Swap Agreement is equal to the Agreement's positive fair market value at June 30, 2011. However, the School was not exposed to credit risk because the Agreement had a negative fair market value at June 30, 2010. In addition, the Swap Agreement required no collateral and no initial net cash receipt or payment by the School.
- 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 30 Through 33 – DETAILS OF NET ASSETS AND FUND EQUITY

NOTE 30 – PRIOR PERIOD ADJUSTMENTS AND ACCOUNTING CHANGES

Beginning balances on several of the attached financial statements have been restated. Those restatements that are due to corrections of errors or statutory changes are presented in the table below as Prior Period Adjustments. Beginning balances restated 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* decreased by $428,835 due to the following adjustments:

- 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.

The beginning net assets of the Business-Type Activities on the government-wide *Statement of Activities* decreased by $687,329 due to the following adjustments:

- A decrease of $687,329 in the CollegeInvest Fund, a nonmajor enterprise fund, related to CollegeInvest's failure to record their amortized discount income for the Prepaid Tuition Fund at the cost amount in prior years. The correction of this error also reduced the beginning net assets on the fund-level Statement of 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 deferred 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, decreased 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 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.

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 $283,424,328. 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 for appropriately reflect the activity and increases the beginning asset and the beginning liabilities balance of the Department of Treasury agency funds in the same amount.

B. ACCOUNTING CHANGES

Beginning balances that were restated for 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	Resource Extraction	Labor
BEGINNING FUND BALANCE	$ 15,784	$ 519,520	$ 193,556
GASB 54 FUND RECLASSIFICATION ADJUSTMENTS			
Resource Management to General	24,505	-	-
Environment and Health Protection to General	56	-	-
Other Special Revenue to General	27,288	-	-
Resource Management to Resource Extraction	-	6,983	-
Other Special Revenue to Resource Extraction	-	34,980	-
Resource Extraction to State Lands Trust - Expendable	-	(84)	-
Other Special Revenue to Internal Service	-	-	-
Other Special Revenue to Labor	-	-	5,492
Other Special Revenue to Gaming	-	-	-
Other Special Revenue to Tobacco Impact Mitigation	-	-	-
Other Special Revenue to Unclaimed Property	-	-	-
Other Special Revenue to State Lands Trust	-	-	-
Tobacco Impact Mitigation to Other Special Revenue	-	-	-
Environment and Health Protection to Tobacco Impact Mitigation	-	-	-
TOTAL GASB 54 FUND RECLASSIFICATION ADJUSTMENTS	51,849	41,879	5,492
BEGINNING FUND BALANCE, RESTATED	$ 67,633	$ 561,399	$ 199,048

(Amounts in Thousands)

Nonmajor Governmental Funds							Proprietary Funds
Gaming	Tobacco Impact Mitigation	Resource Management	Environment and Health Protection	Unclaimed Property	Other Special Revenue	State Lands Trust	Internal Service Funds
$ 92,231	$ 178,040	$ 49,492	$ 110,757	$ 119,627	$ 305,977	$ 674,285	$ 22,012
-	-	(24,505)	-	-	-	-	-
-	-	-	(56)	-	-	-	-
-	-	-	-	-	(27,288)	-	-
-	-	(6,983)	-	-	-	-	-
-	-	-	-	-	(34,980)	-	-
-	-	-	-	-	-	84	-
-	-	-	-	-	(91)	-	91
-	-	-	-	-	(5,492)	-	-
29,910	-	-	-	-	(29,910)	-	-
-	240	-	-	-	(240)	-	-
-	-	-	-	1,161	(1,161)	-	-
-	-	-	-	-	(1,655)	1,655	-
-	(193)	-	-	-	193	-	-
-	949	-	(949)	-	-	-	-
29,910	996	(31,488)	(1,005)	1,161	(100,624)	1,739	91
$ 122,141	$ 179,036	$ 18,004	$ 109,752	$ 120,788	$ 205,353	$ 676,024	$ 22,103

NOTE 31 – 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
GENERAL FUND:			
General Government	$ 284,056	$ 32,436	$ 109
Business, Community and Consumer Affairs	-	1,114	-
Education	223,389	1,682	-
Health and Rehabilitation	-	4,445	-
Justice	10,282	-	-
Natural Resources	25,270	-	-
TOTAL	$ 542,997	$ 39,677	$ 109
RESOURCE EXTRACTION:			
General Government	$ -	$ 329,193	$ -
Business, Community and Consumer Affairs	-	83,547	-
Education	-	15,649	-
Natural Resources	13,792	407,983	-
TOTAL	$ 13,792	$ 836,372	$ -
HIGHWAY USERS TAX:			
General Government	$ 8,918	$ 5,688	$ -
Health and Rehabilitation	-	1,303	-
Justice	-	68	-
Transportation	1,151,371	25,720	-
TOTAL	$ 1,160,289	$ 32,779	$ -
CAPITAL PROJECTS:			
General Government	$ -	$ 33,068	$ -
Education	22,129	3,355	-
Justice	161,192	-	-
TOTAL	$ 183,321	$ 36,423	$ -
STATE EDUCATION:			
Education	$ 371,367	$ -	$ -
OTHER GOVERNMENTAL FUNDS:			
General Government	$ 35,422	$ 196,329	$ -
Business, Community and Consumer Affairs	104,644	131,229	-
Education	63,855	52,686	-
Health and Rehabilitation	7,423	86,274	-
Justice	9,645	109,122	-
Natural Resources	6,371	22,118	-
Social Assistance	-	50,015	-
Transportation	34,715	-	-
TOTAL	$ 262,075	$ 647,773	$ -

NOTE 32 – 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. The Governor is required to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. In conjunction with the Governor's actions to reduce expenditures, the legislature historically takes action to use the reserve and for Fiscal Year 2010-11 the legislature acted to set the reserve at 2.3 percent of General Purpose Revenue Fund appropriations, thereby allowing the appropriation of 1.7 percent of the reserve. Historically, the statutory reserve has only been expended during recessionary periods when other budget measures have been exhausted. As of June 30, 2011, there were no reserves on a GAAP basis; however, on a legal budgetary basis the reserve contained reserves at the 2.3 percent level of $156.6 million. See further detail regarding GAAP versus budget in Note 6I.

Article XXIV Section 7 of the State Constitution created the old age pension stabilization fund. 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 33 – 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 rule making 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 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 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.

NOTE 34 – INTERFUND RECEIVABLES AND PAYABLES

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

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SELLER'S / LENDER'S RECEIVABLE	General Fund	Resource Extraction	Highway Users Tax	Capital Projects	State Education Fund
MAJOR FUNDS:					
General Fund					
General-Purpose	$ 190	$ -	$ 4,568	$ 1	$ -
Special-Purpose	68,135	-	-	-	-
Resource Extraction	1,213	-	-	112	-
Highway Users	143	-	-	145	-
Capital Projects					
Regular Capital Construction	-	-	-	-	-
State Education	226,938	-	-	-	-
Higher Education Institutions	3,275	895	251	-	31
Unemployment Insurance	-	-	-	-	-
Lottery	-	-	-	-	-
NONMAJOR FUNDS:					
SPECIAL REVENUE FUNDS:					
Labor	158	-	-	-	-
Tobacco Impact Mitigation	-	-	-	-	-
Resource Management	-	-	-	-	-
Environment and Health Protection	59	-	31	-	-
Other Special Revenue	61	-	-	-	-
PERMANENT FUNDS:					
State Lands Trust Expendable	-	-	-	-	-
ENTERPRISE FUNDS:					
CollegeInvest	24	-	-	-	-
Wildlife	-	-	-	-	-
Correctional Industries	-	-	-	-	-
State Nursing Homes	1,414	-	-	-	-
INTERNAL SERVICE FUNDS:					
Central Services	-	-	-	-	-
Information Technology	1,988	-	-	315	-
Capitol Complex	15	-	-	-	-
FIDUCIARY FUNDS:					
Group Benefit Plans	19,792	-	4	-	-
College Savings Plan	-	-	-	-	-
Other Fiduciary	-	-	-	-	-
TOTAL	$ 323,405	$ 895	$ 4,854	$ 573	$ 31

(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
-	-	-	-	226,938
-	-	-	5,333	9,785
-	303	-	-	303
-	-	-	-	-
-	-	-	-	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	$ 2,023	$ 25,622	$ 55,621	$ 431,139

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

The General Fund receivable of $68.3 million includes $67.5 million for the Public School Fund (a special-purpose General Fund) payable from 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 audit opinion on the State's financial statements. The State Education Fund receivable of $226.9 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 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 General Fund receivable of $13.5 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 Fund receivable of $36.4 million from All Other Funds contains a $20.4 million receivable from the Limited Gaming Fund and $9.4 million from various cash funds to support incurred Medicaid expenditures.

NOTE 35 – TRANSFERS BETWEEN FUNDS

Primary Government

Transfers between funds for the fiscal year ended June 30, 2011, were as follows:

TRANSFER-OUT FUND	General Fund	Resource Extraction	Highway Users Tax
MAJOR FUNDS:			
General Fund			
General-Purpose	$ 2,885,606	$ -	$ -
Special-Purpose	53,995	-	-
Resource Extraction	189,499	-	-
Highway Users	58,114	-	-
Capital Projects			
Regular Capital Construction	-	-	-
Special Capital Construction	81	-	-
State Education	1,192	-	-
Higher Education Institutions	7,601	-	-
Unemployment	2,205	-	-
Lottery	56,615	-	-
NONMAJOR FUNDS:			
SPECIAL REVENUE FUNDS:			
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	-	-
PERMANENT FUNDS:			
State Lands Trust Nonexpendable	-	-	-
State Lands Trust Expendable	137,852	-	-
Other Permanent Trust Nonexpendable	-	-	-
ENTERPRISE FUNDS:			
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	-	-
INTERNAL SERVICE FUNDS:			
Central Services	1,567	-	-
Information Technology	1,193	-	-
Telecommunications	363	-	-
Capitol Complex	879	-	-
Public Safety	16	-	-
Administrative Courts	258	-	-
Other Internal Service	343	-	-
FIDUCIARY FUNDS:			
Group Benefit Plans	250	-	-
Other Fiduciary	92	-	-
TOTAL	$ 4,253,424	$ 298	$ 905

UNAUDITED

(Amounts in Thousands)

TRANSFER-IN FUND

Capital Projects	State Education	Higher Education Institutions	All Other Funds	TOTAL
$ 11,985	$ 226,938	$ 135,446	$ 21,281	$ 3,281,256
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	21,011
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	$ 227,048	$ 185,579	$ 251,744	$ 4,978,070

UNAUDITED

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 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:

From various major and nonmajor funds, including:

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 Heath 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 excess General Fund Surplus. Of the excess General Fund Surplus of $294,438,000, $67,500,000 was transferred to the Public School Fund, a special-purpose General Fund, and $226,938,000 was transferred to the State Education Fund, a major Governmental Fund.

In addition to the 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 All Other Funds 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 36 – UNUSUAL OR INFREQUENT TRANSACTIONS

Primary Government

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 million less closing costs. The net proceeds of $1,492,813 million were deposited in a quasi-endowment. The event was considered a special item because it was infrequent in occurrence or unusual in nature.

NOTE 37 – 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 $1,552,490 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 38 – 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 $74.2 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 2039-40. The pledged revenue represents 100 percent of the revenue stream, and $716.3 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 highest 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 $623.2 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 50.0 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 2039-40. The pledged revenue represents approximately 87 percent of the total revenue stream, and $285.0 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 2008-09 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.

- $18.7 million pledged by the University of Northern Colorado to secure $9.2 million of current principal and interest on debt issued to finance refunding of previous debt and for improvements of auxiliary facilities. The related debt was originally issued in Fiscal Year 2000-01 and has a final maturity date of Fiscal Year 2039-40. The pledged revenue represents 25.2 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	Debt Service Requirements Interest	Debt Service Requirements Total
Department of Transportation	$ 1,162,586	$ (994,596)	$ 167,990	$ 119,385	$ 48,605	$ 167,990
Higher Education Institutions	1,025,079	(492,883)	532,196	64,345	110,488	174,833
	$ 2,187,665	$ (1,487,479)	$ 700,186	$ 183,730	$ 159,093	$ 342,823

NOTE 39 – SEGMENT INFORMATION

Primary Government

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

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

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

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

CONDENSED STATEMENT OF NET ASSETS
JUNE 30, 2011

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO	AURARIA HIGHER EDUCATION CENTER	
	UNIVERSITY PHYSICIANS INCORPORATED	PARKING FACILITIES	STUDENT FACILITIES
ASSETS:			
Current Assets	$ 129,866	$ 9,058	$ 10,671
Other Assets	82,211	7,188	362
Capital Assets	45,207	35,127	30,839
Total Assets	257,284	51,373	41,872
LIABILITIES:			
Current Liabilities	30,281	3,781	4,549
Noncurrent Liabilities	16,886	30,147	28,111
Total Liabilities	47,167	33,928	32,660
NET ASSETS:			
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
Total Net Assets	$ 210,117	$ 17,445	$ 9,212

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

OPERATING REVENUES :			
Tuition and Fees	$ -	$ -	$ 5,902
Sales of Goods and Services	415,591	8,904	23,792
Other	-	-	58
Total Operating Revenues	415,591	8,904	29,752
OPERATING EXPENSES:			
Depreciation	2,912	1,732	2,040
Other	398,367	4,380	23,583
Total Operating Expenses	401,279	6,112	25,623
OPERATING INCOME (LOSS)	14,312	2,792	4,129
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income	4,979	304	124
Other Nonoperating Revenues	1,542	-	-
Debt Service	(443)	(1,662)	(1,311)
Other Nonoperating Expenses	(8,613)	-	-
Total Nonoperating Revenues(Expenses)	(2,535)	(1,358)	(1,187)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Transfers-In	-	(723)	(3,079)
Total Contributions, Transfers, and Other	-	(723)	(3,079)
CHANGE IN NET ASSETS	11,777	711	(137)
TOTAL NET ASSETS - FISCAL YEAR BEGINNING (Restated)	198,340	16,734	9,349
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 210,117	$ 17,445	$ 9,212

CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

NET CASH PROVIDED (USED) BY:			
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
NET INCREASE (DECR.) IN CASH AND POOLED CASH	20,269	2,460	1,732
CASH AND POOLED CASH, FISCAL YEAR BEGINNING	46,171	6,419	5,542
CASH AND POOLED CASH, FISCAL YEAR ENDING	$ 66,440	$ 8,879	$ 7,274

NOTE 40 – COMPONENT UNITS

The State reports twelve 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. All of the component units and foundations are considered major, except the Denver Metropolitan Major League Baseball Stadium District, CoverColorado, the Venture Capital Authority, the Renewable Energy Authority, the Higher Education Competitive Research Authority, and the Statewide Internet Portal Authority. Financial statements for the major component units are presented in the Basic Financial Statements.

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(a) 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 2009-10, 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, 2010, the foundation distributed $70.7 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 2009-10, the foundation transferred $32.2 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 contributions and investment income. During Fiscal Year 2009-10, 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 1, 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 1, LP thru June 2015 (unless otherwise terminated) for investment in businesses meeting criteria established by the authority, specifically including businesses in the life sciences, information technology, agritechnology and medical device industries, and retail. As of December 31, 2009, the VCA has contributed approximately $16.8 million or 77 percent of its total funding commitment to Colorado Fund 1, 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. The authority has provided a total of $2.4 million in matching funds to the research centers as of December 31, 2009. 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 2009-10 through an appropriation to the Department of Higher Education. As of June 30, 2010, the authority has made commitments to provide matching funds for nine research proposals, four of which, totaling $6.8 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. For the Fiscal Year ended June 30, 2010, the authority recognized $1.1 million in fee revenue.

NOTE 41 – RELATED PARTIES AND ORGANIZATIONS

Primary Government

The Colorado State University - Pueblo Foundation was established to benefit the Colorado State University - Pueblo. The foundation transferred $1.4 million to the university during Fiscal Year 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. At June 30, 2010, the LLCs held property for the foundation of $1.7 million and $22.2 million, respectively.

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, 2010, the LLC had capital assets of $13.6 million, other assets of $6.0 million, long-term debt of $23.2 million, and current liabilities of $1.1 million. The total liabilities of the foundation exceeded its total assets by $3.7 million. The LLC owed the University of Northern Colorado $465,147 for a working capital loan at June 30, 2010.

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.

Component Units

The University of Colorado Hospital Authority and the University of Colorado Denver (UCD) have developed and received approval for an Institutional Master Plan to create a new academic health sciences center over the next 20 to 50 years 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 $31.7 million for these services in Fiscal Year 2009-10. 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 $2.6 million in Fiscal Year 2009-10. In total, the UCD paid the hospital $10.8 million in Fiscal Year 2009-10.

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 $5.2 million of government external funds and paid UPI an additional $45.9 million for services in Fiscal Year 2009-10.

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 $4.0 million were billed to CRC for the cost of these services during Fiscal Year 2009-10. The amount due from University of Colorado Denver, including CRC, was $0.6 million at June 30, 2010.

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.

In October 2007, the hospital sold 1,656.55 shares for approximately $18.1 million to TriWest, but retains an option to repurchase the shares at the exercise market value through October 2010, unless the option is terminated before that date. This investment is accounted for under the cost method, and the hospital received dividends of approximately $0.6 million in July 2010.

The hospital and two other entities participate in Colorado Access, a Colorado not-for-profit corporation that owns and operates a statewide HMO to provide services to medically underserved Coloradoans. There are no earning distribution agreements between Colorado Access and the hospital. In August 2001 the hospital entered into an agreement to loan Colorado Access $625,000. The principal and interest was 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 a Limited Partnership Agreement with Colorado Fund 1, LP and has selected High Country Venture, LLC, to serve as manager and general partner of the Fund. The partnership agreement allocates income or loss 20 percent to the general partner and 80 percent to the limited partners in accordance with their respective partnership percentages. As of December 31, 2009, VCA's investment in the fund totaled $16.1 million.

NOTE 42 – CONTINGENCIES

Primary Government

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

Numerous court cases are pending in which the plaintiffs allege that the State has deprived persons of their constitutional rights, civil rights, inadequately compensated them for their property, 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 approximately $54.0 million.

At June 30, 2010, 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 $15.0 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 that it will not make the 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 relation to 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 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 in the State's San Luis Valley have filed suit against the State asserting that the current school funding system fails to provide a thorough and uniform system of free public education as required by the State Constitution. The plaintiffs seek to overturn the current funding system and ensure that additional capital facilities funding of $5.7 billion to $17.9 billion 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. The State awaits the Court's decision. 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 has been sued by a citizen claiming the General Assembly's designation of the three percent reserve of Fiscal Year Spending does not comply with the State Constitution. Fiscal Year Spending and the reserve are defined in the Constitution's Article X Section 20, which is commonly referred to as TABOR. The plaintiff asserts that the reserve is required to be held in cash and the General Assembly may not designate capital assets or fund balances that are dedicated to special purposes. The District Court held in favor of the State as defendant. No appeal has yet been filed. The suit makes no claim for damages, but it seeks injunctive relief to require the reserve to be held in cash. An adverse decision could materially change the presentation of fund balance designations in the State's financial statements. See Note 8B for additional details about the three percent reserve.

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

In August 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 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 percnet, 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 percnet, 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.

B. OTHER

On April 8, 2011, the University of Colorado's Board of Regents approved the sale of the former Ninth Avenue campus 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 at 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.

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

On July 1, 2010, the University of Colorado Hospital Authority entered into an agreement with University Physician's Inc. (UPI) and the University of Colorado Denver (UCD) to begin a self-insurance trust for the benefit of eligible employees of UCD, UPI, and the hospital. The trust, known as Colorado Health and Welfare Trust, will be managed by a third-party administrator and will provide healthcare coverage and manage the Healthcare Flexible Spending Plans of the three organizations.

In 2010, the Venture Capital Authority established Colorado Fund II, LP with residual proceeds from its 2005 sale of premium tax credits. The authority has committed to providing up to $25.4 million to Colorado Fund II, LP through May 2015 (unless otherwise terminated) for investment in seed and early-stage businesses meeting criteria established by the authority, specifically including businesses in the life sciences, information technology, agritechnology, medical device industries, and retail.

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.

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UNAUDITED

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
REVENUES AND TRANSFERS-IN:				
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	
TOTAL REVENUES AND TRANSFERS-IN			7,264,533	
EXPENDITURES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 4,957	$ 4,925	4,798	$ 127
Corrections	647,180	658,803	656,582	2,221
Education	3,176,664	2,963,614	2,963,105	509
Governor	11,291	11,930	10,912	1,018
Health Care Policy and Financing	1,290,651	1,265,225	1,269,264	(4,039)
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	294,438	294,438	294,438	-
SUB-TOTAL OPERATING BUDGETS	7,446,554	7,243,050	7,224,247	18,803
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	-	952	488	464
Corrections	18,952	12,682	8,795	3,887
Education	-	272	148	124
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
Budgets/Transfers Not Recorded by Department	14,844	14,844	14,844	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	63,736	89,016	56,666	32,350
TOTAL EXPENDITURES AND TRANSFERS-OUT	$ 7,510,290	$ 7,332,066	7,280,913	$ 51,153
EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT			$ (16,380)	

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

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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
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 738,774	
Income Taxes			370,499	
Other Taxes			1,168,065	
Tuition and Fees			2,191,026	
Sales and Services			1,938,098	
Interest Earnings			195,808	
Other Revenues			2,538,810	
Transfers-In			6,264,582	
TOTAL REVENUES AND TRANSFERS-IN			15,405,662	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 31,274	$ 31,253	27,122	$ 4,131
Corrections	96,402	96,944	79,677	17,267
Education	3,581,239	3,591,303	3,534,485	56,818
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	3,039,829	214,838
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	868,314	112,739
Law	41,889	51,280	40,860	10,420
Legislative Branch	8,167	8,167	3,202	4,965
Local Affairs	423,398	423,398	267,795	155,603
Military and Veterans Affairs	9,105	9,060	6,475	2,585
Natural Resources	730,540	715,379	392,035	323,344
Personnel & Administration	464,776	455,443	429,312	26,131
Public Health and Environment	195,272	226,513	191,228	35,285
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	537,321	537,721	60,150	477,571
Treasury	1,897,630	1,898,601	1,660,077	238,524
Budgets/Transfers Not Recorded by Department	-	3,337	937	2,400
SUB-TOTAL OPERATING BUDGETS	15,699,840	15,634,071	13,660,220	1,973,851
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	-	1	-	1
Corrections	9,923	18,411	13,746	4,665
Education	-	622	39	583
Governor	1,138	1,939	427	1,512
Higher Education	183,465	429,833	206,295	223,538
Human Services	1,510	5,778	1,870	3,908
Judicial Branch	221,299	221,299	91,668	129,631
Labor and Employment	33,332	36,742	33,002	3,740
Military and Veterans Affairs	-	6,130	4,044	2,086
Natural Resources	52,962	84,625	27,819	56,806
Personnel & Administration	3,821	4,654	865	3,789
Public Health and Environment	14,921	23,126	2,215	20,911
Public Safety	-	1,150	-	1,150
Revenue	-	5,279	1,276	4,003
Transportation	1,712,885	1,712,571	709,401	1,003,170
Treasury	8,380	8,878	8,860	18
Budgets/Transfers Not Recorded by Department	15,223	15,223	14,215	1,008
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	2,258,859	2,576,261	1,115,742	1,460,519
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 17,958,699	$ 18,210,332	14,775,962	$ 3,434,370
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 629,700	

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

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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
REVENUES AND TRANSFERS-IN:				
Federal Grants and Contracts			$ 8,804,701	
TOTAL REVENUES AND TRANSFERS-IN			8,804,701	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	$ 4,020	$ 12,605	5,659	$ 6,946
Corrections	2,003	5,135	3,486	1,649
Education	569,851	1,247,776	887,537	360,239
Governor	34,529	556,326	360,234	196,092
Health Care Policy and Financing	2,750,370	2,845,656	2,806,721	38,935
Higher Education	124,482	567,476	456,986	110,490
Human Services	758,401	1,808,534	1,537,204	271,330
Judicial Branch	9,451	19,358	10,304	9,054
Labor and Employment	138,956	1,690,238	1,464,384	225,854
Law	1,469	2,559	1,869	690
Local Affairs	96,977	149,317	85,571	63,746
Military and Veterans Affairs	222,410	41,629	28,385	13,244
Natural Resources	27,366	70,746	40,924	29,822
Personnel & Administration	-	4,648	463	4,185
Public Health and Environment	274,732	384,304	260,328	123,976
Public Safety	27,918	74,890	38,125	36,765
Regulatory Agencies	1,231	5,621	2,470	3,151
Revenue	815	5,406	2,342	3,064
State	-	2,048	1,050	998
Transportation	369,101	865,046	694,732	170,314
Treasury	-	163,912	164,307	(395)
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	5,414,082	10,523,230	8,853,081	1,670,149
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 5,414,082	$ 10,523,230	8,853,081	$ 1,670,149
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ (48,380)	

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, 2011

(DOLLARS IN THOUSANDS)

	GOVERNMENTAL FUND TYPES					
	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX	CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS
BUDGETARY BASIS:						
Revenues and Transfers-In:						
General	$ 7,243,906	$ -	$ -	$ 20,627	$ -	$ -
Cash	4,838,429	313,760	1,696,160	194,997	603,743	2,235,143
Federal	5,953,622	159,631	682,441	40,956	-	201,025
Sub-Total Revenues and Transfers-In	18,035,957	473,391	2,378,601	256,580	603,743	2,436,168
Expenditures/Expenses and Transfers-Out						
General Funded	7,236,232	-	-	44,681	-	-
Cash Funded	4,574,303	376,857	1,826,459	336,382	423,490	2,101,545
Federally Funded	5,953,275	159,631	682,408	40,963	-	204,142
Expenditures/Expenses and Transfers-Out	17,763,810	536,488	2,508,867	422,026	423,490	2,305,687
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis	272,147	(63,097)	(130,266)	(165,446)	180,253	130,481
BUDGETARY BASIS ADJUSTMENTS:						
Increase/(Decrease) for Unrealized Gains/Losses	(5,940)	(3,335)	(6,963)	(2,731)	(3,472)	(11,832)
Increase for Budgeted Non-GAAP Expenditures	-	25,858	-	-	-	344
Increase/(Decrease) for GAAP Expenditures Not Budgeted	209,790	(37)	97,213	155,102	-	(69,880)
Increase/(Decrease) for GAAP Revenue Adjustments	(193,919)	(1,198)	-	(152,152)	-	(99,153)
Increase/(Decrease) for Non-Budgeted Funds	3	-	-	-	-	-
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis	282,081	(41,809)	(40,016)	(165,227)	176,781	(50,040)
GAAP BASIS FUND BALANCES/NET ASSETS:						
FUND BALANCE/NET ASSETS, FISCAL YEAR BEGINNING	257,633	868,430	1,242,529	385,059	194,586	1,728,058
Prior Period Adjustments (See Note 30)	11,729	-	-	-	-	(10,217)
Accounting Changes (See Note 30)	51,850	41,879	-	-	-	(95,560)
FUND BALANCE/NET ASSETS, FISCAL YEAR END	$ 603,293	$ 868,500	$ 1,202,513	$ 219,832	$ 371,367	$ 1,572,241

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

PROPRIETARY FUND TYPES						
HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE	STATE LOTTERY	OTHER ENTERPRISE FUNDS	INTERNAL SERVICE	**FIDUCIARY FUND TYPES**	**TOTAL PRIMARY GOVERNMENT**
$ -	$ -	$ -	$ -	$ -	$ -	$ 7,264,533
2,358,948	787,282	527,880	435,131	214,741	1,199,448	15,405,662
17,670	1,345,621	-	403,078	657	-	8,804,701
2,376,618	2,132,903	527,880	838,209	215,398	1,199,448	31,474,896
-	-	-	-	-	-	7,280,913
2,324,385	761,722	527,952	333,298	214,998	974,571	14,775,962
39,202	1,345,642	-	427,161	657	-	8,853,081
2,363,587	2,107,364	527,952	760,459	215,655	974,571	30,909,956
13,031	25,539	(72)	77,750	(257)	224,877	564,940
(69)	-	(246)	240	147	562,309	528,108
-	-	860	24,417	869	-	52,348
73,994	(27,691)	(651)	(8,847)	(8,404)	(13)	420,576
-	-	-	(693)	1,288	-	(445,827)
340,180	-	-	-	-	-	340,183
427,136	(2,152)	(109)	92,867	(6,357)	787,173	1,460,328
4,294,966	(115,758)	6,478	560,794	22,012	3,431,779	12,876,566
-	-	-	(687)	-	-	825
-	-	-	-	91	-	(1,740)
$ 4,722,102	$ (117,910)	$ 6,369	$ 652,974	$ 15,746	$ 4,218,952	$ 14,335,979

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, Inventory, and Other Special Purpose Funds that do not have a sufficient original-source revenue stream to qualify as special revenue funds. These funds are presented in additional detail in the Supplementary Information of the Comprehensive Annual Finanical Report (CAFR). The General Purpose Revenue Fund balance represents $32.66 million of the GAAP General Fund balance of $603.29 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 enforceablity 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 total, rather than unassigned fund balance on the *Balance Sheet – General Funds.*

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 reversions at the Departments of Health Care Policy & Financing.)*

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

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

Due to declining general-purpose revenues throughout the Fiscal Year 2009-10, in June 2010, the Director of the Office of State Planning and Budgeting and the State Controller, under the authority of Colorado Revised Statutes 25.5-4-401(1)(c), authorized the Department of Health Care Policy and Financing to interrupt the normal Medicaid provider payment schedule. As a result, approximately $28.1 million of payments that otherwise would have occurred in the last two weeks of June were delayed until July 1, 2010. Consequently, these payments are included as departmental expenditures for purpose of budget compliance on the General Fund Surplus Schedule in Fiscal Year 2010-11. This treatment is similar to the recognition for budget purposes of the other amounts shown as deferred into Fiscal Year 2010-11 on the Fiscal Year 2009-10 General Fund Surplus Schedule.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN GENERAL FUND SURPLUS
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

(DOLLARS IN THOUSANDS)	ORIGINAL ESTIMATE/ BUDGET	REVISED ESTIMATE/ BUDGET	ACTUAL	REVERSIONS OF GENERAL FUND APPROPRIATION	EXCESS AUGMENTING REVENUE EARNED
REVENUES:					
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	4,153,911		
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		
TOTAL GENERAL PURPOSE REVENUES	7,092,700	7,140,100	7,085,819		
ACTUAL BUDGET RECORDED AND EXPENDITURES:					
Agriculture	4,956	4,924	4,798	$ 126	$ 122
Corrections	653,358	658,794	656,452	2,342	1
Education	3,540,055	2,963,613	2,963,106	507	1,191
Governor	11,291	11,930	11,529	401	6
Health Care Policy and Financing	1,343,025	1,265,814	1,269,675	(3,861)	122
Higher Education	660,271	705,108	705,086	22	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	2,633	34,796	31,764	3,032	99
Local Affairs	10,704	10,754	10,579	175	212
Military and Veterans Affairs	5,320	5,286	5,051	235	-
Natural Resources	26,419	26,201	25,983	218	422
Personnel & Administration	5,619	5,149	4,819	330	288
Public Health and Environment	27,541	27,461	27,385	76	63
Public Safety	80,878	82,315	80,403	1,912	78
Regulatory Agencies	1,510	1,510	1,502	8	-
Revenue	190,008	170,661	161,218	9,443	594
State	-	-	-	-	50
Treasury	2,550	5,974	5,715	259	-
TOTAL ACTUAL BUDGET AND EXPENDITURES	7,542,764	6,940,992	6,919,370	$ 21,622	$ 6,741
Variance Between Actual and Estimated Budgets	(426,764)	(5,892)	-		
TOTAL ESTIMATED BUDGET	7,116,000	6,935,100	6,919,370		
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	(23,300)	205,000	166,449		
EXCESS AUGMENTING REVENUES			6,741		
TRANSFERS (Not Appropriated By Department):					
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)	(226,938)		
Transfer to Public School Fund Per C.R.S. 24-75-201.1		(67,500)	(67,500)		
TOTAL TRANSFERS	28,300	(185,700)	(156,336)		
EXCESS REVENUES AND TRANSFERS OVER(UNDER) BUDGET BASIS EXPENDITURES	5,000	19,300	16,854		
BEGINNING GENERAL FUND SURPLUS	(74,500)	4,800	4,793		
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			12,654		
Contractually Restricted Energy Performance Leases			(10,281)		
ENDING GENERAL FUND SURPLUS	(214,500)	-	-		
ADJUSTMENTS TO BUDGETED REVENUE AND EXPENDITURES FOR GAAP FUND BALANCE:					
GAAP Medicaid Expenditures Deferred to Fiscal Year 2011-12 for Budget			(166,667)		
GAAP Payroll Expenditures Deferred to Fiscal Year 2011-12 for Budget			(86,138)		
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		
GAAP FUND BALANCE NOT AVAILABLE FOR GENERAL FUND SURPLUS:					
Fair Value of Investments in Excess of Cost			11,859		
Restricted			10,281		
Committed			6,590		
Assigned			109		
SHORTFALL IN GAAP BASIS STATUTORY RESERVE			156,648		
ENDING GAAP GENERAL PURPOSE REVENUE FUND BALANCE			$ 32,658		

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

UNAUDITED

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.

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 purchased services in June with 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.

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 28. Since capital projects appropriations are generally available for three years after appropriation, significant amounts of the capital budgets remain unexpended at fiscal year-end.

The appropriation controls the combined expenditures and encumbrances of the State, in the majority of the cases, to the level of line item within the State agency. Line items are individual lines in the official budget document and vary from specific payments for specific programs to single appropriations at the agency level. Statutes allow the Judicial and Executive Branches, at year-end, to transfer legislative appropriations within departments for expenditures. 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 assets for the funds presented in the fund-level statements (see pages 8 to 25).

Certain expenditures on a generally accepted accounting principle (GAAP) basis, such as bad debt expense and depreciation, are not budgeted by the General Assembly. In addition, 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.

See Note 19 on page 69 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[1] (c)	UAAL as a Percentage of Covered Payroll[1] ((b-a)/c)
University of Colorado:								
	2010-11	7/1/2010	-	$ 343,144,000	$ 343,144,000	0.0%	$ 1,023,525,000	33.5%
	2009-10	7/1/2008	-	$ 196,714,735	$ 196,714,735	0.0%	$ 944,167,317	20.8%
	2008-09	7/1/2008	-	$ 196,714,735	$ 196,714,735	0.0%	$ 898,898,961	21.9%
	2007-08	7/1/2007		$ 195,972,332	$ 195,972,332	0.0%	$ 831,242,265	23.6%
Colorado State University:								
RMPR								
	2010-11	1/1/2011	-	$ 28,917,402	$ 28,917,402	0.0%	$ 248,227,800	11.6%
Restated	2009-10	1/1/2009	-	$ 25,187,719	$ 25,187,719	0.0%	$ 235,974,968	10.7%
	2008-09	1/1/2009	-	$ 25,187,719	$ 25,187,719	0.0%	$ 238,826,606	10.5%
	2007-08	1/1/2007		$ 22,079,791	$ 22,079,791	0.0%	$ 199,793,625	11.1%
RMPS								
	2010-11	1/1/2011	-	$ 53,177,425	$ 53,177,425	0.0%	N/A	N/A
	2009-10	1/1/2009	-	$ 55,863,780	$ 55,863,780	0.0%	N/A	N/A
	2008-09	1/1/2009	-	$ 54,271,314	$ 54,271,314	0.0%	N/A	N/A
	2007-08	1/1/2008	-	$ 54,012,423	$ 54,012,423	0.0%	N/A	N/A
URX								
	2010-11	1/1/2011	-	$ 2,832,107	$ 2,832,107	0.0%	N/A	N/A
Restated	2009-10	1/1/2011	-	$ 2,822,691	$ 2,822,691	0.0%	N/A	N/A
	2008-09	1/1/2009	-	$ 2,899,120	$ 2,899,120	0.0%	N/A	N/A
	2007-08	1/1/2008	-	$ 4,267,306	$ 4,267,306	0.0%	N/A	N/A
LTD								
	2010-11	1/1/2011	-	$ 13,017,464	$ 13,017,464	0.0%	N/A	N/A
Restated	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

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

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Department of Personnel & Administration

Working Together To Serve Colorado

APPENDIX B

Forms of Master Indenture, 2011G Supplemental Indenture, 2011G Lease Purchase Agreement, 2011G Site Leases and 2011G Subleases

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After recording return to:
Michael R. Johnson
Kutak Rock LLP
1801 California Street, Suite 3100
Denver, Colorado 80202

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 statues 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, 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 1050, Denver, Colorado 80202, Attention: Corporate Trust Services, facsimile number: 720-947-7480, electronic mail address: 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]

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 11th day of August, 2009, 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 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 2011 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 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 2011 Supplemental Indenture attached to the Official Statement.]

Marked to show changes from form included in
Preliminary Official Statement

After recording return to:
Michael R. Johnson
Kutak Rock LLP
1801 California Street, Suite 3100
Denver, Colorado 80202

FORM OF

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SERIES 2011G SUPPLEMENTAL TRUST INDENTURE

by

ZIONS FIRST NATIONAL BANK,
as Trustee

authorizing

State of Colorado
Building Excellent Schools Today
Certificates of Participation
Tax-Exempt Series 2011G

Dated as of December ~~__,~~8, 2011

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SERIES 2011G CERTIFICATES

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SERIES 2011G SUPPLEMENTAL TRUST INDENTURE

This State of Colorado Building Excellent Schools Today Series 2011G Supplemental Trust Indenture (this "Series 2011G Supplemental Indenture") is dated as of December ~~__,~~8, 2011, 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 2011G Supplemental Indenture is a Supplemental Indenture and is being executed to provide additional terms applicable to the Series 2011G Certificates.

AGREEMENT

The Trustee hereby declares for the benefit of the Owners as follows:

ARTICLE I

SERIES 2011G 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 2011G Supplemental Indenture: State of Colorado Building Excellent Schools Today Certificates of Participation, Tax-Exempt Series 2011G.

Section 1.02. Principal Amounts, Dated Dates, Maturity Dates and Interest.

(a) The Series 2011G Certificates are hereby designated as Tax-Exempt Certificates.

(b) The aggregate principal amount of the Series 2011G Certificates shall be $~~______________.~~146,635,000.

(c) The Authorized Denominations of the Series 2011G Certificates are $5,000 and any integral multiple thereof.

(d) The Series 2011G Certificates executed and delivered on the date the Series 2011G 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 2011G Certificate executed and delivered upon transfer and exchange of another Series 2011G 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 2011G 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 2011G Certificate shall bear interest from the date the Series 2011G Certificates are first executed and delivered.

(e) Interest on the Series 2011G Certificates shall be calculated based on a 360-day year consisting of twelve 30-day months.

(f) The Series 2011G Certificates shall mature on the dates and in the principal amounts, and shall bear interest at the per annum rates, set forth below:

~~Maturity Date~~	**~~Principal~~**	**~~Interest~~**
~~(March 15)~~	**~~Amount~~**	**~~Rate~~**
~~20__~~	~~$~~	~~%~~
~~20__~~		
~~20__~~		
~~20__~~		
~~20__~~		
~~20__~~		
~~20__~~		
~~20__~~		

Maturity Date (March 15)	**Principal Amount**	**Interest Rate**
2012	$6,435000	1.000%
2013	3,170,000	4.000
2014	1,000,000	2.000
2014	2,270,000	5.000
2015	1,000,000	2.000
2015	3,320,000	5.000
2016	525,000	2.000
2016	3,975,000	5.000
2017	650,000	2.000
2017	4,065,000	5.000
2018	1,470,000	2.000
2018	3,455,000	5.000
2019	5,120,000	5.000
2020	260,000	2.625
2020	5,110,000	5.000
2021	5,630,000	5.000
2022	435,000	3.000
2022	5,470,000	5.000
2023	1,885,000	3.125
2023	4,300,000	4.250
2024	6,420,000	5.000
2025	6,735,000	5.000
2026	75,000	3.750
2026	6,990,000	5.000
2027	7,410,000	5.000
2028	7,775,000	5.000
2029	1,500,000	4.000
2029	6,655,000	5.000
2030	1,500,000	4.125
2030	7,045,000	5.000
2032	34,895,000	5.000

Section 1.03. Redemption.

(a) ***Extraordinary Redemption Upon Occurrence of Event of Nonappropriation or Event of Default***. The Series 2011G 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 2011G 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 2011G 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 2011G 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 2011G 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 2011G Certificate and such other Certificate, and no Owner of any such Series 2011G 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 2011G 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 2011G 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 2011G 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 2011G Certificates maturing on March 15, ~~20__ and March 15, 20__~~2032 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 2011G Certificates maturing on a particular date shall be selected for redemption on each mandatory sinking fund redemption date by lot from all remaining Series 2011G Certificates maturing on such date, rounded to the nearest Authorized Denomination.

~~**Series 2011G Certificates maturing on March 15, ____**~~

Mandatory Sinking Fund Redemption Date (March 15)	**Principal Amount**
~~20__~~	~~$~~
~~20__~~	
~~20__~~2031	$6,085,000
~~20__~~2032*	28,900,000

* Maturity date

~~**Series 2011G Certificates maturing on March 15, 20__**~~

~~**Mandatory Sinking Fund Redemption Date (March 15)**~~	~~**Principal Amount**~~
~~20__~~	~~$~~
~~20__~~	
~~20__~~	
~~20__~~	
~~20__~~	
~~20__*~~	

~~* 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 2011G Certificates with the same maturity date as the Series 2011G 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 2011G Certificates with the same maturity date as the Series 2011G 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 2011G 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 2011G Certificates to be redeemed as part of such mandatory sinking fund redemption on such dates shall be accordingly reduced.

(c) ***Optional Redemption***. The Series 2011G Certificates maturing on and after March 15, ~~20__~~2022 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 rates 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, ~~20__,~~2021, at a redemption price equal to the principal amount of the Series 2011G Certificates to be redeemed (with no premium), plus accrued interest to the redemption date.

Section 1.04. Form of Certificates. The Series 2011G 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 2011G 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 following order: first, from any Project Account into which proceeds of Qualified School Construction Certificates have been deposited; second, from any Project Account into which proceeds of Taxable Build America Certificates have been deposited; and, third, from any Project Account into which proceeds of Tax-Exempt Certificates have been deposited. If separate Project Accounts have been funded with proceeds of more than one Series of Certificates with the same Tax Treatment Designation, moneys shall be withdrawn from such Project Accounts to pay Costs of the Participating K-12 Institution's Projects in the order in which such Series of Certificates were executed and delivered.

ARTICLE III

AMENDMENTS TO MASTER 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. 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 3.03. 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 2011G Lease and the written certification by the State in the 2011G 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 3.04. References to Subleases and 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 and the financing of Projects for Participating K-12 Institutions that are not Sublessees pursuant to Participation Agreements, 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 3.02 and 3.03 hereof):

(a) the term "Sublessee" is used to refer to the lessor under a Site Lease, such term shall be replaced with "Site Lessor";

(b) the term "Sublessee" is used to refer to a Project of a Sublessee, the Project Account of a Sublessee, the financing of a Project for a Sublessee, the Costs of a Sublessee's Project or payments by a Sublessee pursuant to a Sublease, such term shall be replaced with "Participating K-12 Institution"; and

(c) the term "Sublease" is used, such term shall be replaced with "Sublease or Participation Agreement," except where the term Sublease is used with respect to the terms of a Sublease granting a Sublessee the option to purchase the Leased Property subject to its Sublease (because a Participating K-12 Institution that is not a Sublessee does not have the option to purchase any Leased Property).

Section 3.05. 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. The electronic mail address for notices to the Trustee pursuant to Section 9.09 of the Master Indenture is hereby amended to read: denvercorporatetrust@zionsbank.com

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 2011G 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 2011G 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 2011G 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 2011G Supplemental Indenture. For purposes of this Series 2011G Supplemental Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Series 2011G 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 2011G Supplemental Indenture. The words "herein," "hereof," "hereto," "hereby," "hereunder" and other words of similar import refer to this Series 2011G 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 2011G Lease is set forth in Appendix C hereto. If the land included in the Leased Property subject to the 2011G Lease is modified pursuant to the terms of the 2011G Lease or other land is substituted for land included in the Leased Property subject to the 2011G Lease pursuant to the terms of the 2011G 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 2011G Lease after such modification or substitution.

(b) The Leased Property subject to the 2011G 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 and the Leased Property subject to the 2010D-F Lease described in Appendix E to the Series 2010D-F 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 and the Series 2010D-F 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 and Exhibit E to the Series 2010D-F 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 and this Series 2011G 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 and (iv) the property described in Appendix C hereto**.

Section 5.04. Execution in Counterparts. This Series 2011G 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 2011G Supplemental Indenture as if set forth in full herein.

IN WITNESS WHEREOF, the Trustee has executed this Series 2011G Supplemental Indenture as of the date first above written.

ZIONS FIRST NATIONAL BANK, as Trustee

By ___________________________________
Authorized Signatory

[Signature Page to Series 2011G Supplemental Indenture]

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ____ day of December, 2011 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:

____

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APPENDIX A

FORM OF SERIES 2011G 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 2011G

Interest Rate	**Maturity Date**	**Delivery Date**	**CUSIP**
_____%	_____ __, 20__	December ~~__,~~8, 2011	__________

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 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") and 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 Master Indenture, as amended and supplemented by the Series 2009A Supplemental Indenture, the Series 2010B-C Supplemental Indenture, the Series 2010D-F Supplemental Indenture and the Series 2011G 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 2011G (the "Series 2011G 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 2011G 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 Interest rate set forth above is payable each March 15 and September 15, commencing March 15, 2012 (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 2011G 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 2011G 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 2011G 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 2011G Certificates called for redemption, which moneys are or will be available for redemption of Series 2011G 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 Participation Agreement, 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 and the Building Excellent Schools Today Series 2011G Supplemental Trust Indenture dated as of December ~~—,~~8, 2011 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 or Participation Agreement, 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 Participating K-12 Institution is a Sublessee under a Sublease and 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 is a Sublessee under a Sublease, the Sublease is in full force and effect and no Event of Default or Event of Nonappropriation has occurred and is continuing thereunder; if the Participating K-12 Institution is a Participant under a Participation Agreement, such Participation Agreement is in full force and effect no default by such Participating K-12 Institution 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 or Participant 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 OR PARTICIPANT REPRESENTATIVE

____
Print Name of Sublessee Representative or Participant Representative

____
Signature of Sublessee Representative or Participant Representative

STATE OF COLORADO, ACTING BY AND THROUGH THE STATE TREASURER

By ______________________________
State Representative

Date: ____________________________

PAYMENT SCHEDULE TO PROJECT ACCOUNT REQUISITION

Payee	Address	Amount to be Paid

APPENDIX C

LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED PROPERTY SUBJECT TO THE 2011G LEASE

Description of the Real Property
([name of participant])

[repeat]

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 or Participation Agreement, the costs and expenses incurred by the Participating K-12 Institution in performing its obligations under such Sublease or Participation Agreement 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 or Participation Agreement 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 2011G 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 or Participation Agreement of the Participating K-12 Institution for which the Project was financed.

"*Completion Date*" for each Project is defined in the Sublease or Participation Agreement 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, Participation Agreement 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 or Participation Agreement to refer to an event occurring under such a Sublease or Participation Agreement, an event described in Section 11.01 of such Sublease or Participation Agreement; (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 or in any Participation Agreement to refer to an event occurring under such Sublease or Participation Agreement, an event described in Section 6.04(b) of such Sublease or Participation Agreement; 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, Sublease and Participation Agreement, the period commencing on the date the Lease, Sublease or Participation Agreement is executed and delivered (unless a different commencement date is specifically set forth in such Lease, Sublease or Participation Agreement) 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; and (e) 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 Participation Agreement 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 2009A Supplemental Indenture, the 2010B-C Supplemental Indenture, the 2010D-F Supplemental Indenture and the 2011G 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 or Participation Agreement 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.

"*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.

"*Participant Representative*" means a Person identified as such in a Participant's Participation Agreement.

"*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.

"*Participation Agreement*" means an agreement between the State and a Participant with respect to the financing of the Participant's Project.

"*Participation Agreement Representative*" means a Person identified as such in a Participant's Participation Agreement or any Person appointed as Participation Agreement Representative by the Person identified as such in such Participation Agreement.

"*Participation Agreement Term*" means the period of time during which a Participation Agreement is in force and effect as set forth in Section 3.01 of such Participant Agreement.

"*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 Participation Agreement, 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, Sublease and Participation Agreement, 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 or a Participant renews a Participation Agreement Term after the Initial Term of such Lease, Sublease or Participation Agreement.

"*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 Participation Agreement Term*" means the period that begins on the first day of the Initial Term of a Participation Agreement and ends on the date described in Section 3.01(b)(i) of such Participation Agreement.

"*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.

"*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 or Participation Agreement 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 or Participation Agreement, 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 or Participation Agreement, 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, the Subleases and the Participation Agreements.

"*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 or the 2011G 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; and (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.

"*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, the Subleases and the Participation Agreements 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 in the County of El Paso and State of Colorado, Englewood School District No. 1 in the County of Arapahoe and the State of Colorado,~~22, Horizons K-8 School, Idalia RJ-3 School District, Ignacio School District No. 11 JT, ~~Prairie~~Sanford School District No. 6J, School District No. RE-~~11,~~11 in the County of Weld and State of Colorado~~, Sanford School District No. 6 in the County of Conejos 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 in the County of El Paso and State of Colorado, Englewood School District No. 1 in the County of Arapahoe and the State of Colorado,~~22, Idalia RJ-3 School District, Ignacio School District No. 11 JT, ~~Prairie~~Sanford School District No. 6J and School District No. RE-~~11,~~11 in the County of Weld and State of Colorado~~ and Sanford School District No. 6 in the County of Conejos 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 in the County of El Paso and State of Colorado, Englewood School District No. 1 in the County of Arapahoe and the State of Colorado,~~22, Horizons K-8 School, Idalia RJ-3 School District, Ignacio School District No. 11 JT, ~~Prairie~~Sanford School District No. 6J and School District No. RE-~~11,~~11 in the County of Weld and State of Colorado~~ and Sanford School District No. 6 in the County of Conejos and State of Colorado~~.

"*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 or Participation Agreement of the Participating K-12 Institution for which such Project was financed.

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Format changed	0
Total changes	210

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Marked to show changes from form included in
Preliminary Official Statement

After recording return to:
Michael R. Johnson
Kutak Rock LLP
1801 California Street, Suite 3100
Denver, Colorado 80202

FORM OF

**STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SERIES 2011G 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 ~~__,~~8, 2011

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STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SERIES 2011G LEASE PURCHASE AGREEMENT

This State of Colorado Building Excellent Schools Today Series 2011G Lease Purchase Agreement (this "Lease") is dated as of December ~~—,~~8, 2011 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 2011G Supplemental Trust Indenture dated December ~~—,~~8, 2011 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 or Participation Agreement 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 or Participation Agreement 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 2011G Projects for the 2011G 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 2011G Projects for the 2011G Participating K-12 Institutions and to enter into a Sublease or Participation Agreement with each 2011G 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 and the Series 2011G Certificates are being issued to finance the 2011G Projects for the 2011G 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 and the 2011G 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, the Participation Agreements 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 2011G 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 2011G 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 2011G Interest. The Amortizing Principal and the Series 2011G 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 2011G 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 2011G 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 Participation Agreement, 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 2011G 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 2011G 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 2011G 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 2011G 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 2011G 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 2011G Certificates; and (B) if any 2011G 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 2011G Certificates shall be substituted for the 2011G 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 2011G 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 2011G Certificates. The State (i) will require each Participating K-12 Institution to covenant in its Sublease or Participation Agreement 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 or Participation Agreement; 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, the Participation Agreements 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 2011G 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) ~~hereof~~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: 720-947-7480, 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.

Section 13.19. Participation Agreement. Notwithstanding any other provision of this Lease, if a Site Lease and Sublease are executed and delivered in accordance with the Participation Agreement among The Laurent Clerc Educational Fund of Colorado d/b/a Rocky Mountain Deaf School, Jefferson County School District No. R-1 and the State, the Leased Property subject to such Site Lease and Sublease shall be included in the Leased Property subject to this Lease and Exhibit A hereto shall be amended to include the legal description of the land subject to such Site Lease and Sublease. If such Site Lease and Sublease are not executed and delivered, the State shall allocate the moneys deposited into the Project Account of the Participant to one or more other Projects, a Site Lease and Sublease (a "substitute Site Lease and Sublease") shall be executed and delivered with respect to each such other Project, the Leased Property subject to the substitute Site Lease and Sublease shall be included in the Leased Property subject to this Lease and Exhibit A hereto shall be amended to include the legal description of the land subject to the substitute Site Lease and Sublease.

[remainder of page intentionally left blank]

THE PARTIES HERETO HAVE EXECUTED THIS SERIES 2011G 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.

ZIONS FIRST NATIONAL BANK, solely in its capacity as trustee under the Indenture By Stephanie Nicholls, Authorized Signatory ______________________________ *Signature	STATE OF COLORADO John W. Hickenlooper GOVERNOR Department of Treasury ______________________________ By Walker R. Stapleton, State Treasurer
STATE OF COLORADO John W. Hickenlooper GOVERNOR Department of Personnel & Administration Office of the State Architect, Real Estate Programs For the Executive Director By: ______________________________ Michael R. Karbach, Manager of Real Estate Programs	LEGAL REVIEW John W. Suthers, Attorney General By:______________________________ _ Heidi Dineen, Assistant Attorney General
~~APPROVED:~~ ~~STATE OF COLORADO~~ ~~John W. Hickenlooper, Governor~~ ~~DEPARTMENT OF PERSONNEL & ADMINISTRATION~~ ~~For the Executive Director~~ ~~By: ______________________________~~ ~~Marquita L. Davis, State Risk Manager~~ ~~Date: ______________________________~~	

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, 2011 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 ____ day of December, 2011, 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
([name of participant])

[repeat]

EXHIBIT B

BASE RENT PAYMENT SCHEDULE

Base Rent Payment Date	**Amortizing Principal**	**Series 2011G Interest**	**Total Scheduled Base Rent**
03/12/2012	$ 6,435,000	$ 1,830,004.36	$ 8,265,004.36
09/12/2012	0	3,363,709.38	3,363,709.38
03/12/2013	3,170,000	3,363,709.38	6,533,709.38
09/12/2013	0	3,300,309.38	3,300,309.38
03/12/2014	3,270,000	3,300,309.38	6,570,309.38
09/12/2014	0	3,233,559.38	3,233,559.38
03/12/2015	4,320,000	3,233,559.38	7,553,559.38
09/12/2015	0	3,140,559.38	3,140,559.38
03/12/2016	4,500,000	3,140,559.38	7,640,559.38
09/12/2016	0	3,035,934.38	3,035,934.38
03/12/2017	4,715,000	3,035,934.38	7,750,934.38
09/12/2017	0	2,927,809.38	2,927,809.38
03/12/2018	4,925,000	2,927,809.38	7,852,809.38
09/12/2018	0	2,826,734.38	2,826,734.38
03/12/2019	5,120,000	2,826,734.38	7,946,734.38
09/12/2019	0	2,698,734.38	2,698,734.38
03/12/2020	5,370,000	2,698,734.38	8,068,734.38
09/12/2020	0	2,567,571.88	2,567,571.88
03/12/2021	5,630,000	2,567,571.88	8,197,571.88
09/12/2021	0	2,426,821.88	2,426,821.88
03/12/2022	5,905,000	2,426,821.88	8,331,821.88
09/12/2022	0	2,283,546.88	2,283,546.88
03/12/2023	6,185,000	2,283,546.88	8,468,546.88
09/12/2023	0	2,162,718.75	2,162,718.75
03/12/2024	6,420,000	2,162,718.75	8,582,718.75
09/12/2024	0	2,002,218.75	2,002,218.75
03/12/2025	6,735,000	2,002,218.75	8,737,218.75
09/12/2025	0	1,833,843.75	1,833,843.75
03/12/2026	7,065,000	1,833,843.75	8,898,843.75
09/12/2026	0	1,657,687.50	1,657,687.50
03/12/2027	7,410,000	1,657,687.50	9,067,687.50
09/12/2027	0	1,472,437.50	1,472,437.50
03/12/2028	7,775,000	1,472,437.50	9,247,437.50
09/12/2028	0	1,278,062.50	1,278,062.50
03/12/2029	8,155,000	1,278,062.50	9,433,062.50
09/12/2029	0	1,081,687.50	1,081,687.50
03/12/2030	8,545,000	1,081,687.50	9,626,687.50
09/12/2030	0	874,625.00	874,625.00
03/12/2031	6,085,000	874,625.00	6,959,625.00
09/12/2031	0	722,500.00	722,500.00
03/12/2032	28,900,000	722,500.00	29,622,500.00
Total	$146,635,000	$91,612,148.22	$238,247,148.22

EXHIBIT C

TRUSTEE'S FEES AND EXPENSES

Lessor Fees..Included in Annual Trustee Fee

Acceptance Fee..$1,500.00
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.

Annual Trustee Fee...$2,000.00
Covering ordinary administrative duties of the Trustee, Paying Agent, Registrar and Lessor/Trustee as set forth in the governing documents so long as no default exists. The annual trustee fee is payable in advance.

Legal Fees...Waived
We do not anticipate having to use outside counsel for this transaction.

Paying Agent and Registrar Fees..Included in Annual Trustee Fee

The fees quoted above for usual and routine administration are not subject to change. Special or extraordinary events, such as amendments or defaults are not included in the above fees and we reserve the right to charge an additional amount based on the time incurred in handling such events should they occur. Out of pocket costs, such as overnight delivery charges, would be added to the annual administration fee only if excessive.

Document comparison by Workshare Professional on Thursday, December 01, 2011 6:01:20 PM

Input:	
Document 1 ID	C:\NetDocs\Colorado BEST 2011 Lease Purchase Agreement(1).doc
Description	C:\NetDocs\Colorado BEST 2011 Lease Purchase Agreement(1).doc
Document 2 ID	C:\NetDocs\Colorado BEST 2011 Lease Purchase Agreement.doc
Description	C:\NetDocs\Colorado BEST 2011 Lease Purchase Agreement.doc
Rendering set	kutak option 1

Legend:	
Insertion	
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Moved to	
Style change	
Format change	
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Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	152
Deletions	26
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	178

Marked to show changes from form included in
Preliminary Official Statement

After recording return to:
Michael R. Johnson
Kutak Rock LLP
1801 California Street, Suite 3100
Denver, Colorado 80202

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 __, 2011

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ARTICLE XII
MISCELLANEOUS

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 __, 2011 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 2011G Supplemental Trust Indenture dated December __, 2011 and as it may further be amended, supplemented and restated from time to time***.

<u>RECITALS</u>

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 2011G 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 2011G Certificates issued pursuant to the Indenture will be used to finance the Project of such Sublessee.

<u>AGREEMENT</u>

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 2011G 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 __, [2051];

(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 2011G 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 2011G Lease (the "Site Lessor Protection Provisions"). If the 2011G 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 2011G 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 2011G Lease or an amount equal to the Additional Rent that would have been paid under the 2011G 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 2011G 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 2011G 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 2011G 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 2011G Lease and the Indenture following an Event of Default or Event of Nonappropriation under the 2011G Lease.

Section 6.05. Substitution of Other Property for Leased Property. If the State substitutes other real property under the 2011G Lease for any portion of the Site Lessor's Leased Property, the property so substituted under the 2011G 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 2011G 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 2011G Lease has not terminated, the terms of Section 7.08 of the 2011G 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 2011G 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 2011G 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 2011G Lease, the State has agreed to reimburse the Trustee for such costs during the Lease Term of the 2011G 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 2011G 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 2011G 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 2011G Lease. The parties recognize and agree that, notwithstanding any other provision of this Site Lease, the 2011G Lease or any Sublease, upon conveyance of all the Leased Property subject to the 2011G Lease by the Trustee to the State pursuant to Article VIII of the 2011G 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 2011G 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 2011G Lease and Sublease. The Trustee has received a copy of, and acknowledges the terms of, the 2011G 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: 720-947-7480, electronic mail address: 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, 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. 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 ~~and~~, Modifications and Release. Except as otherwise provided herein or in the Indenture, this Site Lease may only be amended, changed, modified ~~or~~, 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 2011G 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 2011G 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 2011G Lease or such Sublease shall operate to terminate or extinguish this Site Lease, the 2011G 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, 2011 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:

____

STATE OF COLORADO)
) ss.
COUNTY OF _______________)

The foregoing instrument was acknowledged before me this ___ day of December, 2011, by _________________________, as __________________ of __________________.

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]

Document comparison by Workshare Professional on Thursday, December 01, 2011 6:10:36 PM

Input:	
Document 1 ID	C:\NetDocs\Colorado BEST 2011 Site Lease form(1).doc
Description	C:\NetDocs\Colorado BEST 2011 Site Lease form(1).doc
Document 2 ID	C:\NetDocs\Colorado BEST 2011 Site Lease form.doc
Description	C:\NetDocs\Colorado BEST 2011 Site Lease form.doc
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Legend:	
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Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	20
Deletions	12
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	32

After recording return to:
Michael R. Johnson
Kutak Rock LLP
1801 California Street, Suite 3100
Denver, Colorado 80202

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 8, 2011

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MISCELLANEOUS

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 8, 2011 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 2011G Supplemental Trust Indenture dated December 8, 2011 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 2011G 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. 11-2 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 2011G 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. 11-2.

(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 2011G 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 2011G 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 2011G Lease in each Fiscal Year during the Lease Term of the 2011G 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 2011G 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 2011G 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 2011G Lease as a result of an Event of Nonappropriation or an Event of Default under the 2011G 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 8, 2012, (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 2011G 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 2011G 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 2011G 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 2011G 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 VIII 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 Participation Agreement 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 Participation Agreement 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 2011G 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 2011G 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 2011G 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 2011G 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 2011G 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 2011G 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 2011G 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 2011G 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 2011G 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 2011G 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 2011G 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 2011G Certificates determined by multiplying the principal amount of all the Outstanding Series 2011G Certificates by a fraction, the numerator of which is the sum of the proceeds of the Series 2011G 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 2011G Certificates and the Allocated Investment Earnings deposited into the Project Accounts of all 2011G Sublessees; and (ii) which principal amount shall be allocated among the maturities of the Outstanding Series 2011G Certificates in proportion to the principal amount of each maturity of the Outstanding Series 2011G Certificates, rounded to the nearest $5,000 in principal amount of each such maturity. Notwithstanding the preceding sentence, if any portion of the Series 2011G 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 2011G Certificates shall be substituted for the Series 2011G 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 2011G 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 2011G 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 2011G 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 2011G 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 2011G 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 2011G 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 2011G 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 2011G 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 2011G 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 Participation Agreements, 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 2011G 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 2011G Lease as a result of an Event of Nonappropriation or Event of Default under the 2011G 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 2011G Lease and Indenture. The Sublessee has received copies of, and acknowledges the terms of, the 2011G 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 2011G 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, 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: 720-947-7480, 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 2011G 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 2011G 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 2011G 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 2011G Lease or such Site Lease shall operate to terminate or extinguish this Sublease, the 2011G 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 2011G Lease among the 2011G 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 2011G 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 2011G 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.

<table>
<tr>
<td>[SUBLESSEE]

____
Name, Title

[DISTRICT SEAL]

Attest:

____
Name, Title

[SUBLESSEE'S CHARTERING AUTHORITY]
By: __________
Title: __________

____
*Signature</td>
<td>STATE OF COLORADO
John W. Hickenlooper GOVERNOR
Department of Treasury

____
By Walker R. Stapleton, State Treasurer</td>
</tr>
<tr>
<td>STATE OF COLORADO
John W. Hickenlooper GOVERNOR
Department of Personnel & Administration
Office of the State Architect, Real Estate Programs
For the Executive Director

By: ____
Michael R. Karbach, Manager of Real Estate Programs</td>
<td>PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE BOARD, acting on behalf of the State of Colorado

By:____
Mary Wickersham, Chair</td>
</tr>
<tr>
<td></td>
<td>LEGAL REVIEW
John W. Suthers, Attorney General

By:____
Heidi Dineen, Assistant Attorney General</td>
</tr>
</table>

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, 2011, by Walker R. Stapleton, Colorado State Treasurer, acting on behalf of the State of Colorado, and by Mary Wickersham, 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, 2011 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:

Payment Date	Base Rent
	$

*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 8, 2011 (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 2011G Supplemental Trust Indenture dated December 8, 2011 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 an 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:

____

TOTAL DOLLAR AMOUNT REQUESTED PURSUANT TO THIS REQUISITION:

____

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 PARTICIPTING 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

Payee	Address	Amount to be Paid

APPENDIX C

Form of Continuing Disclosure Undertaking

$146,635,000
STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
CERTIFICATES OF PARTICIPATION
TAX-EXEMPT SERIES 2011G

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 2011G Lease Purchase Agreement, dated as of December 8, 2011, entered between Zions First National Bank, as Trustee under a Master Trust Indenture, as supplemented (the "**Indenture**"), and the State. The Series 2011G 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, 2011, 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 8, 2011

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

December 8, 2011

State of Colorado,
acting by and through the State Treasurer
Zions First National Bank, as Trustee
RBC Capital Markets, LLC
George K. Baum & Company
Stifel, Nicolaus & Company, Incorporated
Wells Fargo Securities

$146,635,000
State of Colorado
Building Excellent Schools Today Certificates of Participation
Tax-Exempt Series 2011G

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 2011G (the "Series 2011G Certificates"). The Series 2011G 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 and the State of Colorado Building Excellent Schools Today Series 2011G Supplemental Trust Indenture dated as of December 8, 2011 (collectively, the "Indenture") by Zions First National Bank, as trustee thereunder (the "Trustee"). The Series 2011G Certificates evidence undivided interests in the right to certain payments by the State under 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 2009A Lease Purchase Agreement dated as of September 12, 2009 (the "2009A 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 2010D-F Lease Purchase Agreement dated as of December 16, 2010 (the "2010D-F Lease"; and, together with the 2011G Lease, the 2009A 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 2011G Site Leases pursuant to which the 2011G Leased Property has been leased to the Trustee, the 2011G Subleases pursuant to which the 2011G Leased Property has been subleased to the 2011G Sublessees, the Participation Agreement among The Laurent Clerc Educational Fund of Colorado d/b/a Rocky Mountain Deaf School (the "Participant"), Jefferson County School District No. R-1 and the State (the "Participation Agreement") and the Tax Compliance Certificates executed and delivered by the State and the 2011G Participating K-12 Institutions in connection with the execution and delivery of the Series

2011G 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 2011G 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 2011G Certificates, the due authorization, execution and delivery by the 2011G Site Lessors and the enforceability against the 2011G Site Lessors of the 2011G Site Leases, the due authorization, execution and delivery by each 2011G Sublessee and the enforceability against each 2011G Sublessee of its Sublease, the due authorization, execution and delivery by the Participant and the enforceability against the Participant of its Participation Agreement and the due authorization, execution and delivery by each 2011G Participating K-12 Institution 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 2011G Certificates with respect to the authorization, execution and delivery of the Leases, the 2011G Subleases, the Participation Agreement and the State's Tax Compliance Certificate by the State, the enforceability of the 2011G Subleases, the Participation Agreement and the State's Tax Compliance Certificate against the State (but not the enforceability of the 2011G Lease) and other matters; and have assumed that the State, the Trustee, the 2011G Site Lessors, the 2011G Participating K-12 Institutions and other parties will comply with, and perform their obligations in accordance with, the Leases, the Indenture, the 2011G Site Leases, the 2011G Subleases, the Participation Agreement and the Tax Compliance Certificates of the State and the 2011G Participating K-12 Institutions.

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 2011G Lease.

2. The 2011G 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 2011G Certificates evidence legal, valid and binding undivided interests in the right to certain payments, as provided in the Series 2011G 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 2011G 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 2011G Participating K-12 Institutions with certain covenants relating to requirements of the Code that must be met subsequent to the delivery of the Series 2011G 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 2011G 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 2011G Certificates; or (b) any other federal tax

consequences related to the ownership or disposition of the Series 2011G 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 2011G 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 2011G 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 2011G Certificates subsequent to such termination; or (ii) any other tax consequences related to the ownership or disposition of Series 2011G Certificates under the laws of the State of Colorado or any other state or jurisdiction.

The rights of the Owners of the Series 2011G Certificates and the enforceability of the Series 2011G Certificates and the 2011G 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 2011G Certificates against the Trustee; the enforceability of the 2011G Site Leases against the 2011G Site Lessors; the enforceability of the 2011G Subleases against the State or the 2011G Sublessees; the enforceability of the Participation Agreement against the State, the Participant or Jefferson County School District No. R-1; 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 2011G 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 2011G 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 2011G 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,

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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 2006-07 through Fiscal Year 2010-11 and the forecasts for Fiscal Years 2011-12 and 2012-13 from the OSPB September 2011 Revenue Forecast. The overview incorporates the Governor's budget request for Fiscal Year 2011-12. See "FORWARD-LOOKING STATEMENTS." With respect to prior Fiscal Years, the table assumes the State law then in effect for General Fund appropriations, transfers to the General Fund and rebates and expenditures.

The table also assumes the infusion of federal stimulus funding under the American Recovery and Reinvestment Act of 2009 (the "**Recovery Act**") for Medicaid over three Fiscal Years, beginning with Fiscal Year 2008-09. Under the Recovery Act, the State received a General Fund expenditure offset of $214.1 million for Federal Medical Assistance Percentage ("**FMAP**") participation in Fiscal Year 2008-09 and an additional total of $418.9 million in State funding in Fiscal Year 2009-10. The projected total state funding FMAP offsets to Fiscal Year 2010-11 are estimated to equal $355.1 million. Both the Fiscal Year 2009-10 and Fiscal Year 2010-11 General Fund offsets due to FMAP are no longer shown as a separate entry on the table below as these offsets are captured in the "General Fund Appropriations Subject to the Appropriations Limit" entry. To the extent received, these amounts reduced General Fund expenditures and any future funding under the Recovery Act is expected to reduce General Fund expenditure for Medicaid.

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 2006-07 through 2012-13

(Dollar amounts expressed in millions; totals may not add due to rounding)

	Actual (Unaudited)[1]					OSPB Forecast	
	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10[14]	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13
REVENUE:							
Beginning Reserve	$ 251.7	$ 267.0	$ 283.5	$443.3	$137.4	$156.7	$261.0
Gross General Fund Revenue	7,539.8	7,742.9	6,742.7	6,457.7	7,085.0	7,142.8	7,355.5
Diversion to the Highway Users Tax Fund[2]	(228.6)	(238.1)	--	--	--	--	--
Net Transfers to (from) the General Fund[3]	--	(5.0)	813.3	(47.6)	150.1	124.8	(5.9)
TOTAL GENERAL FUND REVENUE AVAILABLE FOR EXPENDITURE	7,562.9	7,766.9	7,839.5	6,853.5	7,372.5	7,424.2	7,610.6
EXPENDITURES:							
Appropriations Subject to Limit [4]	6,675.6	7,087.8	7,387.1	6,631.6	6,811.1	6,982.3	7,035.6
Appropriations Change From Prior Year	*382.9*	*412.3*	*299.3*	*(755.5)*	*179.5*	*171.2*	*53.4*
Percent Change	*6.1%*	*6.2%*	*4.2%*	*(10.2)%*	*2.7%*	*2.5%*	*0.8%*
Exemptions to the Appropriations Limit [5]	11.1	31.9	12.2	--	9.9	--	--
Spending Outside the Appropriations Limit:	360.0	320.2	210.6	84.5	139.0	180.9	293.5
TABOR Refund	--	--	--	--	--	--	--
Rebates and Expenditures[6]	*164.6*	*173.8*	*136.0*	*141.9*	*126.0*	*130.0*	*136.9*
Homestead Exemption[7]	*74.2*	*79.8*	*85.6*	*1.3*	*1.6*	*1.6*	*98.5*
Transfer to Capital Construction Fund[8]	*145.9*	*93.7*	*24.9*	*0.2*	*12.0*	*49.3*	*58.1*
Reversions and Accounting Adjustments[9]	*(24.7)*	*(27.1)*	*(36.0)*	*(56.2)*	*(38.6)*	*0*	*0*
Enhanced Medicaid Match (Reduces General Fund Expenditures) [10]	--	--	(223.9)	(2.7)	(0.5)	--	--
TOTAL GENERAL FUND OBLIGATIONS	7,046.6	7,439.9	7,395.8	6,716.0	6,921.4	7,163.2	7,329.2
RESERVES							
Year-End General Fund Balance	516.3	327.0	443.8	137.4	451.1	261.0	281.4
Year-End Excess General Fund Balance as a Percent of Appropriations	*7.7%*	*4.6%*	*2.0%*	*2.1%*	*6.6%*	*3.7%*	*4.0%*
General Fund Statutory Reserve[11]	267.0	283.5	148.2	132.6	156.7	279.3	281.4
Excess Moneys Above (Below) Unappropriated Reserve	249.3	43.4	295.5[12]	4.8	294.4[13]	(18.3)	0
Transfer to Highway Users Tax Fund (2/3)[14]	*166.2*	*29.0*	--	--	--	--	--
Transfer to Capital Construction Fund (1/3)[14]	*83.1*	*14.5*	--	--	--	--	--
Note: Deposit to the State Education Fund[12,15]	*395.1*	*407.9*	*339.9*	*329.0*	*597.4*	*383.5*	*384.4*

[Notes on the next page]

(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 Years 2006-07 and 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 2006-07, 2007-08 and 2008-09, totals of $11.1 million, $31.9 million and $12.2 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. In Fiscal Year 2010-11, General Funded Medicaid Overexpenditures are estimated to amount to $9.9 million.
(6) This generally includes the Cigarette Rebate, Old Age Pension Fund, Property Tax, Heat and Rent Credit and Fire and Police Pensions. Per SB 05-209, the Volunteer Firefighter Retirement Plan and Volunteer Firefighter Death and Disability Insurance appropriations are not subject to the limitation on General Fund appropriation growth limit and are included in the amounts shown for Fiscal Years 2006-07 and beyond.
(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 transfers shown in the table are per HB 04-1003 and HB 04-1021, respectively. Also included are continuation costs for Fiscal Year 2009-10 capital requests, Level I Controlled Maintenance funding and certificate of participation payments appropriated from capital construction funds.
(9) Part of the Fiscal Year 2009-10 reversions and accounting adjustments amount includes a reduction of $28.1 million to account for a delay in Medicaid payments. These payments are accounted for in Fiscal Year 2010-11 expenditures.
(10) 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.
(11) 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 is to revert to 4.0% for Fiscal Year 2011-12.
(12) This excess amount is due to a one time transfer of $458,057,698 from specified cash funds to the General Fund on June 30, 2009.
(13) Per SB 11-156, for Fiscal Year 2010-11, any surplus above the 2.3% Unappropriated Reserve requirement is to be 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 exceeds the amount forecast by OSPB in its March 2011 revenue forecast, up to $67.5 million, is to be transferred to the State Public School Fund and the balance of $226.9 million is to be credited to the State Education Fund. See "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – *Revenues and Unappropriated Amounts*."
(14) Per HB 02-1310, two-thirds of the Unappropriated Reserve in excess of the then applicable Unappropriated Reserve was required to be credited to the Highway Users Tax Fund, and one-third of such excess was to be credited to the Capital Construction Fund. SB 09-228 repealed this requirement effective January 1, 2010, and SB 09-278 prohibited the transfer of the excess reserves for Fiscal Years 2008-09 and 2009-10 to the Highway Users Tax Fund and the Capital Construction Fund. See "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – *Revenues and Unappropriated Amounts*."
(15) 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 an estimated $9.7 million from the tax amnesty program created by SB 11-184.

Sources: 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 2010-11 (Preliminary Unaudited). The following information is taken from the OSPB September 2011 Revenue Forecast and was based on unaudited preliminary figures.

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 $7,372.5 million and total obligations were $6,921.4 million. In accordance with Amendment 23 and SB 11-156, $597.4 million was diverted 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 diverted 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. Comprehensive 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 diverted 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.

Fiscal Year 2006-07. General Fund revenues increased by 8.3% in Fiscal Year 2006-07 compared to an increase of 13.1% in Fiscal Year 2005-06. In Fiscal Year 2006-07, sales and use tax revenues increased by 4.1% compared to an increase of 5.7% in Fiscal year 2005-06. The "Other Revenue" category of General Fund revenues decreased by 7.2% partially due to a $6.0 million, or 88.5%, decrease in estate taxes which was due to the nearly complete phase out of federal estate taxes and related credit claimed by the State against those taxes. Total available funds for Fiscal Year 2006-07 (which excludes the amount deposited to the State Education Fund) were $7,562.9 million and total obligations were $7,046.6 million. In accordance with Amendment 23, $395.1 million was transferred to the State Education Fund, and in accordance with SB 97-1, $228.6 million was transferred to the Highway Users Tax Fund. The General Fund year-end reserve was $516.3 million, which was allocated as follows: $267.0 million constituted the statutorily required 4% Unappropriated Reserve, and in accordance with HB 02-1310, two-thirds of the Unappropriated Reserve in excess of the 4% Unappropriated Reserve requirement ($166.2 million) was transferred to the Highway Users Tax Fund and one-third of such excess ($83.1 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 2010-11, individual and corporate income taxes (after the State Education Fund diversion) comprised approximately 63.8% of total General Fund revenues, and general sales and use taxes contributed approximately 31.5% of total General Fund revenues. The OSPB forecasts that gross General Fund revenue will grow at a compound average annual rate of 2.6% between Fiscal Year 2010-11 and Fiscal Year 2013-14.

Individual Income Tax. The largest source of General Fund revenues is receipts generated by the individual income tax. Individual income tax revenues comprised 63.5% of total General Fund revenues in Fiscal Year 2010-11, and are forecast by the OSPB to comprise 64.7% of total General Fund revenues in Fiscal Year 2011-12 and 64.0% of total General Fund revenues in Fiscal Year 2012-13 (in all three cases before State Education Fund diversion). Individual income tax revenues increased by 11.3% in Fiscal Year 2006-07 and 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 and an increase of 10.1% in Fiscal Year 2010-11. The OSPB forecasts that Fiscal Year 2011-12 individual income tax revenues will increase by 2.7% over Fiscal Year 2010-11.

Corporate Income Tax. Corporate income tax revenues accounted for 5.6% of total General Fund revenues in Fiscal Year 2010-11, and are forecast by the OSPB to comprise 4.9% of total General Fund revenues in Fiscal Year 2011-12 and 5.3% of total General Fund revenues in Fiscal Year 2012-13. Corporate tax receipts are the most volatile revenue source for the General Fund. Corporate income tax receipts increased 11.3% in Fiscal Year 2006-07 and 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 and an increase of 5.9% in Fiscal Year 2010-11.

Sales and Use Taxes. Sales and use tax receipts accounted for 31.5% of General Fund revenue in Fiscal Year 2010-11, and are forecast by the OSPB to comprise 30.8% of total General Fund revenues in Fiscal Year 2011-12 and 30.6% of total General Fund revenues in Fiscal Year 2012-13. Sales and use tax revenues increased 4.1% in Fiscal Year 2006-07 and 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 an increase of 12.8% in Fiscal Year 2010-11. The OSPB forecasts that sales and use tax revenues will decrease by 1.6% and 2.4% in Fiscal Years 2011-12 and 2012-13, 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 1.3% of General Fund revenue in Fiscal Year 2010-11, and are forecast by the OSPB to comprise 1.3% of total General Fund revenues in Fiscal Year 2011-12. Other excise tax revenues increased 2.0% in Fiscal Year 2006-07, decreased 0.7% in Fiscal Year 2007-08, decreased 1.9% in Fiscal Year 2008-09, increased 0.9% in Fiscal Year 2009-10 and decreased 3.1% in Fiscal Year 2010-11.

In 2004, Colorado voters passed Amendment 35, which increased the tax on all tobacco products by 20 percentage points and increased the tax on cigarettes by $0.64 per pack beginning in 2005. This caused a decline in sales of cigarettes and other tobacco products which in turn contributed to the decline in tobacco and cigarette tax revenues in Fiscal Year 2006-07 and thereafter. The additional revenues generated by the tax are TABOR exempt. Therefore, while cash collections increased as a result of the additional tax, General Fund revenues declined as the number of cigarette and other tobacco products purchased decreased. The additional cash collections are deposited to the Tobacco Tax Cash Fund created by Amendment 35.

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 3.4% of total General Fund revenues in Fiscal Year 2010-11, and are forecast by the OSPB to comprise 3.6% of total General Fund revenues in Fiscal Year 2011-12, and 4.2% of total General Fund revenues in Fiscal Year 2011-12. As a whole, revenues in this category declined 7.2% in Fiscal Year 2006-07, 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 and a decrease of 6.3% in Fiscal Year 2010-11.

SB 11-159 amended Section 12-47.1-701, C.R.S., to provide that, commencing with Fiscal Year 2010-11, 50% of the amount remaining in the Limited Gaming Fund at the end of each Fiscal Year (the "State Share") is to be transferred to the General Fund or such other fund as the General Assembly shall provide. Of the State Share, the first $19.2 million and any amount in excess of $48.5 million is to be transferred to the General Fund. The OSPB forecasts that other revenues will increase 5.7% in Fiscal Year 2011-12 and increase 20.3% in Fiscal Year 2012-13.

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 2011-12 and 2012-13. 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[1]	
	Fiscal Year 2006-07	**Fiscal Year 2007-08**	**Fiscal Year 2008-09**	**Fiscal Year 2009-10**	**Fiscal Year 2010-11**	**Fiscal Year 2011-12**	**Fiscal Year 2012-13**
Individual Income Tax	$4,870.9	$4,973.7	$4,333.3	$4,083.8	$4,496.1	$4,618.3	$4,703.8
Change from Prior Year	11.3%	2.1%	(12.9)%	(5.8%)	10.1%	2.7%	1.9%
Corporate Income Tax	$497.9	$507.9	$292.5	$372.1	$393.9	$353.0	$387.0
Change from Prior Year	11.3%	2.0%	(42.4)%	27.2%	5.9%	(10.4)%	9.6%
Sales and Use Tax[2]	$2,209.5	$2,317.9	$2,107.8	$1,980.7	$2,234.6	$2,200.0	$2,251.9
Change from Prior Year	4.1%	4.9%	(9.1)%	(6.0)%	12.8%	(1.6)%	2.4%
Other Excise Taxes	$94.0	$93.3	$91.6	$92.4	$89.5	$90.2	$90.3
Change from Prior Year	2.0%	(0.7)%	(1.9)%	0.9%	(3.1)%	0.7%	0.2%
Other Revenues[3]	$262.5	$258.1	$257.4	$257.7	$241.4	$255.2	$307.0
Change from Prior Year	(7.2)%	(1.7)%	(0.2)%	0.1%	(6.3)%	5.7%	20.3%

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(1) OSPB September 2011 Revenue Forecast.

(2) For Fiscal Years 2006-07, 2007-08 and 2008-09, a portion of net sales and use tax revenues was required to be diverted to the Highway Users Tax Fund if General Fund revenues were sufficient to fund appropriations and maintain the Unappropriated Reserve. This requirement was repealed for Fiscal Year 2009-10 and thereafter. The full amount of sales and use taxes collected are reported in this table although the amount diverted to the Highway Users Tax Fund is deducted from available revenues in the General Fund Overview table above.

(3) The amount of gaming revenue to the General Fund in Fiscal Years 2010-11 and thereafter incorporates the new distribution of gaming revenue per SB 11-159.

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 1st 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 20th prior to the beginning of each Fiscal Year, and no later than September 20th, December 20th and March 20th within each Fiscal Year, the Governor, with the assistance of the Controller 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 2011 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 series 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 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.

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 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, 2011. General Fund revenue projections in the new forecast may be materially different from the OSPB September 2011 Revenue Forecast and may project a 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, and such volatility may be reflected in the December 2011 forecast. If a revenue shortfall is projected for Fiscal Year 2011-12 and subsequent forecasted years, which would result in a budgetary shortfall, budget cuts will be necessary to ensure the balanced budget.

OSPB Revenue and Economic Forecasts

The OSPB prepares quarterly revenue estimates and is currently forecasting for Fiscal Year 2011-12 through Fiscal Year 2013-14. 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, 2011, 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. Based on the 2011 legislative session, Fiscal Year 2011-12 General Fund appropriations subject to limitation under 24-75-201.1, C.R.S. equal $6,982.3 million, an increase of 2.5% over final Fiscal Year 2010-11 appropriations of $6,811.1 million. The forecast projects that revenue will fall short ($18.3 million) of the current statutory reserve requirement of 4.0%. However, this shortfall is not sufficient to trigger any budget actions under Colorado statutes. General Fund obligations exceed projected revenues, after maintaining the current statutory reserve requirement of 4.0%, by $18.3 million. This shortfall is not sufficient to trigger any budget actions under Colorado statutes.

The OSPB September 2011 Revenue Forecast projects revenues adequate to maintain the Fiscal Year 2012-13 minimum reserve required in Section 24-75-201.1, C.R.S. and to fund General Fund expenditures as high as $7,329.2 million, which is $166.0 million (2.3%) over projected Fiscal Year 2010-11 levels.

See also "General Fund Overview above.

Economic Forecast. The OSPB quarterly revenue forecasts also include both Colorado and national economic forecasts.

Several sectors of the economy have continued to weaken due to the persistence of a combination of negative factors affecting households, businesses, investors and government. 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.

Colorado appears to be weathering the negative factors weighing on the economy better than the nation overall. This likely stems from the favorable attributes of the State's economy, most notably its entrepreneurial culture, educated and versatile workforce, and its foothold in emerging and growing industries such as clean technology, aerospace, professional services, advanced manufacturing, and bioscience. Further, Colorado's tourism and oil and gas industries are helping bolster the State's economy.

Nonetheless, there is heightened downside risk that the economy could weaken further. Recent slowing in certain sectors of the economy, most notably in manufacturing, business investment, and the job market, combined with increased volatility in the financial markets warrant vigilance. At this time, however, the economy is not expected to contract.

The national and State economies continue to go through an arduous rebuilding process from the financial crisis and the bust of the unsustainable housing and credit boom. Firms and investors are now trying to discover the best, most productive ways to utilize the economy's resources to supply households' and businesses' wants and needs. This process will take time, especially with the negative forces weighing on the economy.

Overall Economic Conditions

One timely assessment of overall economic activity for the nation is the National Economic Activity Index published by the Chicago Federal Reserve. The index uses 85 monthly economic indicators to measure the economy's performance. Research has found that this index provides a useful gauge on current and future economic activity.

A zero value for the index indicates that the national economy is expanding at its historical trend rate of growth, negative values indicate below-average growth, and positive values indicate above-average growth. The index has been showing below trend growth since April of this year. In July the index was -0.29, up from -0.54 in June. However, it is likely that the index will show a fall in August due to the numerous reports of economic weakness that were released. An index level that trends below -0.7 has historically coincided with economic contractions.

Concern and caution following recent economic developments have impacted confidence and weighed on most sectors of the economy. Uncertainty is consistently and commonly cited in various surveys of businesses as the foremost concern. In addition, a struggling labor market, continued elevated food and gas prices, and slower economic growth have prompted consumers to limit purchases of non-essential goods and services.

On a positive note, service industries – the largest part of the U.S. economy – expanded in August. The Institute for Supply Management's (ISM) index of non-manufacturing businesses, which includes services, increased to 53.3 from 52.7 in July, the twenty-first consecutive month of expansion for this sector.

In contrast, the Institute for Supply Management's purchasing manager's index for manufacturing businesses has continued a downward trend. The Index was 50.6% in August, a decrease of 0.3 percentage point from July, though this still represents expansion in the sector for the 25th consecutive month. A dip below 50.0% indicates contraction, and both the manufacturing and non-manufacturing indexes remain precariously near that threshold.

However, a recent positive sign that the economy continues to grow, the Federal Reserve's manufacturing production index rose 0.5% in August, after increasing 0.6% in July, as factories bounced back from Japanese supply-chain disruptions.

The output and performance of both the goods-producing and services sectors of the economy affect income, hiring, investment, and spending. Thus, trends in these industries will be important to monitor in coming months as indicators of how the economy is responding to the recent heightened uncertainty and stock market volatility.

The National Federal of Independent Businesses Small Business Optimism Index declined 1.8 points in August, settling at a low 88.1. The Index has been in decline for six months. Sales continue to be the major challenge faced by most small firms.

The Goss Business Conditions Index for Colorado, which is based on a survey of Colorado supply managers, was 53.8 in August 2011, a small decline from July. A value greater than 50 indicates expansion over the course of the next three to six months. The index uses the same methodology as the Institute for Supply Management to determine business conditions.

According to the Goss report on Colorado business conditions, durable goods manufacturers and energy extraction companies in the State continue to expand their production and add jobs. Durable goods manufacturers are benefiting from the export of their goods to other countries. However, in a potentially ominous sign for future economic performance, the Goss Institute's confidence index has moved to levels similar to those in the last recession. Survey participants consistently cite policy and regulatory uncertainty as a major factor influencing business decisions.

In addition to Colorado, the export of goods has been a bright spot for the nation's economy as well. In July 2011, U.S. exports set a monthly record of $178 billion. Compared to a year ago, exports of industrial supplies were up 29.3 percent, capital goods were up 8.8%, and automotive vehicles were up 29.1 percent. Each of these manufacturing categories set new monthly records in July 2011. This is an indication that both the U.S. and global economies are still expanding despite the sustained headwinds.

The Job Market

The nation's job market has weakened over the course of 2011. It has steadily added fewer jobs each month, and no jobs were added in August. Further, initial claims for unemployment insurance remain elevated. However, Colorado's job market has generally performed better than the nation's. Colorado has added 18,700 jobs so far in 2011, though preliminary data from the U.S. Bureau of Labor Statistics indicate that Colorado lost 1,800 jobs in August. The State's better performance is likely due to its educated and versatile workforce, an attribute increasingly needed in the technologically advanced and dynamic global economy.

Colorado has also added jobs in economically important industries. These industries include mining and advanced technology sectors, such as certain high-tech manufacturing, computer systems design, architectural and engineering services, software publishing, and consulting services. These industries are important because they generally pay high salaries and/or they produce high-value- added goods and services. The growth in leisure and hospitality is also positive, indicating that an increased number of visitors are spending money in the State. At the same time, the State continues to shed jobs in industries that expanded during the housing boom, most notably in construction and financial services.

Of the 151,000 jobs lost as result of the economic contraction, the State has gained just 30,000 back since the beginning of 2010, a 1.3% increase. The mining sector has been the best performing industry due to the increase in oil and gas exploration activity. The industry has gained back all the jobs lost in this sector during the recession.

Despite some relatively positive trends in jobs for the State, stubbornly high unemployment continues, though the State's unemployment rate remains slightly lower than the nation's. Although the unemployment rate has retreated slightly from its peak, the national rate remains above 9.0% and the State's unemployment rate has been hovering around 8.5%.

A closer look at the Colorado unemployment numbers, however, reveals that the official unemployment number understates unemployment in the State. To be counted as unemployed, a worker must be looking for work. As workers give up searching, they are no longer in the labor force and thus no longer counted as unemployed. Both Colorado and the nation have experienced a declining labor force, which has muted the official unemployment rate.

The Bureau of Labor Statistics publishes an alternative measure of unemployment that captures those who are underemployed (working less than full time when full time is preferred) and discouraged individuals who would like to work but have temporarily stopped their job search. This measure is commonly called the "underemployment rate." This rate in Colorado was 15.7% for the period between the 2nd quarter of 2010 and the 1st quarter of 2011 (the last period for which data are available). This equates to almost one out of every six individuals who are unemployed or underemployed. The nation's rate is currently slightly above 16.0%.

As one encouraging sign for the labor market, job openings have been increasing. However, positions are not being filled at the same rate as in the past. This is likely in part due to a mismatch between the skills needed by firms and the skills available in the labor force. Further, the labor force may be less mobile due to the housing market's woes. These factors are causing some of the unemployment problem to be "structural" in nature.

During periods of structural change, workers with skills no longer in demand exit the labor force and the levels of unfilled positions increase. When unemployment is partially a structural problem, it takes longer for labor markets to recover as many individuals search for ways for which the economy can utilize their skills. In many cases, this will require workforce training or increased educational attainment.

In the western states, the rate of job openings in July was the same as it was in July of 2008; Colorado's unemployment rate then was 4.8%. However, with the same rate of job openings now, the current number of unemployed remains much higher. This provides evidence that some of the unemployment problem is structural. Further evidence comes from the most recent National Federation of Independent Business survey that indicated that 33.0% of small businesses reported having few or no qualified applicants for job openings despite the high number of unemployed.

Due to continued stubbornly slow job growth and the structural issues in the labor market, Colorado's unemployment rate will unfortunately remain elevated. Colorado's unemployment rate will average 8.8% in 2011.

Personal Income and Wages

U.S. personal income rose 0.3% in July after increasing 0.2% in June. Personal income consists of wage and salary income, proprietors' (or business) income, government transfer receipts, and interest and dividend income earned on assets.

Through the first quarter of 2011 personal income has expanded both nationally and in Colorado since the third quarter of 2009. Over this period, Colorado personal income has increased 6.5% and national personal income has increased 6.2%. Continued improvement in personal income is needed to contribute to an economic recovery as it will support further spending, savings and investment, and debt reduction.

U.S. disposable personal income also rose 0.3% in July. However, the rate of growth of real, or inflation-adjusted, disposable personal income has slowed since the second quarter of 2010. Disposable personal income is the total after-tax income received by individuals, and it is the income available for spending or saving.

Transfer payments, or governmental assistance in the form of unemployment, Social Security, and other benefits, have increasingly made up a greater share of personal income in the aftermath of the 2008-09 downturn.

Since the second quarter of 2009 through the first quarter of 2011, Colorado wage and salary growth has increased in each quarter. From the fourth quarter of 2010 to the first quarter of 2011, Colorado wage and salary growth increased 0.7%.

Colorado personal income is forecast to increase 5.0% in 2011 and slow to a 2.7% growth pace in 2012 as heightened uncertainty and financial market volatility take their toll on economic activity. Colorado wage and salary growth is forecast to increase 3.5% in 2011 and 2.1% in 2012. As with the job market, projections for income and wage growth are slightly higher for the state compared with the nation.

Price Levels

Elevated price levels continue to be another negative factor weighing on the economy. Measured nationally, inflation on producer prices for finished goods – essentially wholesale prices – were 6.5% higher in August compared with a year ago. To respond to these price increases, businesses have to pass them on to consumers and/or keep fewer resources to invest into expanding operations.

With household earnings stagnating, continued high food and gasoline prices are stressing household budgets and squeezing out other consumer purchases that would enable businesses to increase production and expand. In addition, the housing component of the consumer price index (CPI) for the nation continues to experience a steady increase. This is a reflection of tightening rental markets and thus higher rents. In August, the CPI for the nation was 3.8% above the level in August of 2010.

Consumer price changes in Colorado generally closely track national trends. For the first half of 2011 (the last data available), the Denver-Boulder-Greeley CPI surged 3.8% over the first half of 2010.

The Denver-Boulder-Greeley CPI is expected to increase 3.5% in 2011 overall and 2.6% in 2012, similar to projections for national consume price changes.

Consumer Spending

Growth in consumer spending, as measured by total U.S. retail sales, slowed in the summer. Retail sales excluding food and gasoline were flat in August as higher prices for these necessities appear to be crowding out spending on other items.

The continued dampened performance of retail sales partially reflects poor consumer sentiment levels. While confidence improved at the end of 2010, in the second quarter of 2011 confidence began trending downward again. Households continue to struggle with a weak labor market and continued high debt liabilities combined with lower assets. Household wealth in the U.S. dropped in the second quarter for the first time in a year due to falling share prices and declining home values.

Lower consumer confidence is further reflected in the pattern of household consumption. Spending on durable goods – such as vehicles, appliances, and electronics – has weakened since the beginning of the year. Spending in August on durable goods was 2.4% lower than February's level. Overall, consumers are postponing large purchases and focusing more spending on necessities. Spending on durable goods remains below its peak level before the recession.

Recent sales tax data from the Colorado Department of Revenue indicate that consumer spending has also slowed over the summer months. Consumer spending on durable goods typically makes up a little over a quarter of total State sales tax revenue.

Retail Trade

After growing 6.3% in 2010, Colorado retail trade sales are expected to increase 5.3% to $74.5 billion in 2011 but slow to a 3.0% growth rate in 2012.

The Housing Market

The housing sector continues to struggle and could decline further before improving. A robust recovery in the housing market is dependent largely on improvement in the labor market and a decline in the high level of excess inventory of homes. The Colorado real estate market remains weakened, but home prices continue to fare better than those of the nation. From the first quarter of 2011 to the second, national home prices decreased 0.6% while Colorado prices declined 0.3%.

Construction

Construction activity remains subdued across the State due to an excess supply in residential and nonresidential markets. Activity in the multifamily sector has picked up, but remains below historical levels. According to housing permit data released by the Census Bureau, almost all of new multifamily permitting activity this year has occurred in just three Colorado counties – Denver, El Paso, and Larimer.

Though there are many other important factors that affect unemployment, housing has traditionally been a key sector as there are many industries that benefit from housing construction, such as goods-producing industries, the financial industry, and retail. When housing construction leads to overall job creation, it causes increases in household formation, creating a positive cycle of even more jobs and housing demand. Since housing construction has been flat over the past couple of years and is likely to remain sluggish, the economy and the job market will likely continue to follow the same trend.

Housing permits issued in Colorado are forecast to total 11,200 in 2011 and 11,800 in 2012. The value of Colorado nonresidential construction projects is forecast to increase 3.1% in 2011 and 1.9% in 2012.

After growing 6.3% in 2010, Colorado retail trade sales are expected to increase 5.3% to $74.5 billion in 2011 but slow to a 3.0% growth rate in 2012.

Risks to the Economy and Summary

The Colorado economy's rocky recovery and rebuilding process from the Great Recession has shown some precarious signs of stalling. Continued high debt levels, the slumped housing market, and financial market volatility are proving to be a difficult combination of conditions for the Colorado economy to contend with. Further, higher levels of uncertainty have caused both hiring and business investment to be weak. Because the weakening in the Colorado economy has been across several sectors and has been persistent over several months, there is a growing risk that it may contract, though some sectors of the economy, most notably the housing and labor markets, are already near recessionary levels.

However, Colorado economic conditions, at least in some sectors, are not as dour as some economic headlines suggest. Services-related industries, the largest producing sector of the Colorado economy, showed signs of growth in August and the production of physical goods continues to expand, though at lower growth rates. Exports also continue to increase. Further, business loans from commercial banks are continuing to increase, which may lead to increased growth in the future. Nevertheless, the European sovereign debt and banking problems are precarious and pose a risk to the already sluggish national economy. If the situation deteriorates and creates increased stress in the financial system, there would likely be negative reverberations in the national and Colorado economies that could cause them to slip into recession.

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 arbitraged 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 2010-11 and 2011-12 (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 2010-11 and the first three months of Fiscal Year 2011-12**.**

State of Colorado
State Pool Portfolio Mix
Fiscal Year 2010-11
(Amounts expressed in millions)[(1)]

	Jul 2010	August 2010	Sept 2010	Oct 2010	Nov 2010	Dec 2010	Jan 2011	Feb 2011	Mar 2011	April 2011	May 2011	June 2011
Agency CMOs	$ 306.0	$ 299.2	$ 291.7	$ 283.8	$276.4	$268.4	$260.7	$253.5	$246.1	$238.2	$230.4	$220.9
Commercial Paper	118.0	205.0	322.0	65.0	22.3.0	294.9	155.0	0.0	60.0	205.0	193.0	80.0
U.S. Treasury Notes	675.2	675.1	675.1	675.1	665.1	680.2	680.1	739.8	769.3	759.3	759.4	784.1
Federal Agencies	3,348.0	2,813.0	2,772.0	2,829.1	2,718.0	3,663.7	4,282.4	4,109.4	4,142.1	4,585.2	4,478.6	4,141.6
Asset-backed Securities	386.5	367.1	350.4	316.0	298.4	286.7	267.8	253.0	239.9	222.1	197.4	187.7
Money Market	200.0	185.0	200.0	160.0	25.0	170.0	80.0	80.0	50.0	40.0	--	0.0
Corporates	364.6	357.9	370.8	368.3	388.7	437.4	449.4	455.3	510.2	531.1	598.6	588.6
Certificates of Deposit	25.8	24.0	21.8	21.5	14.1	14.4	4.4	4.4	4.4	5.4	4.2	3.8
	$5,424.1	$4,926.3	$5,003.8	$4,718.8	$4,608.7	$5,815.7	$6,189.8	$5,895.4	$6,022.0	6,586.3	$6,461.6	$6,006.7

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(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 2011-12 (through September 2011)
(Amounts expressed in millions)[(1)]

	July 2011	Aug 2011	Sept 2011
Agency CMOs	$ 218.4	$210.6	$ 202.5
Commercial Paper	245.0	494.9	425.0
U.S. Treasury Notes	784.1	774.0	764.0
Federal Agencies	4,223.6	3,936.5	3,926.1
Asset-Backed Securities	168.1	150.0	172.0
Money Market	0.0	0.0	0.0
Corporates	665.0	703.8	711.7
Certificates of Deposit	4.5	4.6	4.5
Totals	$6,308.7	$6,274.4	$6,205.8

(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

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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, 2011, $101.35 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 2011, 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(1)

	Fiscal Year 2008-2009	Fiscal Year 2009-2010	Fiscal Year 2010-2011
Rental Income (2) (3)	$15,370,745	$17,156,825	$ 15,461,137
Royalties(2)	58,652,884	49,205,099	105,096,666
Total	$74,023,629	$66,361,924	$120,557,802

(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 2008-09, 2009-10 and 2010-11. 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 2011-12 of $16.6 million and $69.6 million, respectively, for a total of $86.2 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 $62.5 million was four times higher than any previous year. The Land Board is currently forecasting $26 million of bonus revenues in Fiscal Year 2011-12. There is no certainty that Rental Income and Royalties will exceed or meet forecasted levels in Fiscal Year 2011-12.

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. There is no certainty that the BEST Lottery Share will exceed or meet current levels. See "Assistance Fund Details" herein.

BEST Lottery Share(1) (2)

	Fiscal Year 2008-2009	Fiscal Year 2009-2010	Fiscal Year 2010-2011
BEST Lottery Share	$5,534,736(3)	$88,550(3)(4)	$662,230(3)(4)

(1) Unaudited.
(2) Amounts reflected above were generated in the prior Fiscal Years and received in the Fiscal Year as shown.
(3) All of these amounts were deposited in the Assistance Fund. See the table under "Assistance Fund Details" in this Appendix.
(4) Significant reductions of BEST Lottery Share in Fiscal Years 2009-10 and 2010-11 are primarily attributable to decreases in State lottery revenues and increases in lottery expenditures, resulting in less excess revenue allocated to the Assistance Fund.

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 2011G Certificates, Matching Moneys related to the Series 2011G Certificates will be credited to the Assistance Fund in the form of cash in the amount of $4,354,662. Additional Matching Moneys obligations relating to the Series 2011G Certificates are payable to the Assistance Fund in the future as Matching Moneys Bonds in the principal amount of $31,075,204. See "PLAN OF FINANCING – The Series 2011G Projects and Series 2011G Participating K-12 Institutions."

After the execution and delivery of the Series 2011G Certificates, an aggregate amount of $128,314,100 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 2011G 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 2011G 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 2011G 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 2011G 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.

Assistance Fund Details

For Fiscal Years 2008-2009, 2009-2010 and Year 2010-11, the following table shows unaudited financial information relating to the Assistance Fund as of each June 30th:

Assistance Fund Details(1)

	As of June 30, 2009	As of June 30, 2010	As of June 30, 2011
Assets(2)	$65,208,102	$86,825,418	$113,899,079
Liabilities(3)	4,176,407	25,938,190	12,548,253
Fund Balance	61,031,695	60,887,228	101,350,826
Commitments (Encumbrances) (4)	(5,508,524)	(6,200,407)	(10,020,037)
Available Fund Balance	55,523,171	54,686,821	91,330,789
	Fiscal Year 2008-2009	Fiscal Year 2009-2010	Fiscal Year 2010-2011
Revenue:			
Transfers In for Grants and Construction Payments (5)	$43,993,284	$49,165,582	$89,472,288
Rents and Royalties from State Land Board	35,195,168	33,196,010	60,261,217
Lottery	5,534,736	88,550	662,230
Matching Moneys	--	801,263	3,729,389
Interest and Other	1,327,275	2,603,504	1,736,089
Expenditures:			
Grants	20,051,549	16,942,768	15,809,202
Construction Payments (5)	--	57,230,488	87,006,448
Base Rent Payments	--	3,535,000	11,816,671
Administration and Other	4,967,219	8,291,120	765,293
Change in Fund Balance	$61,031,695	($144,467)	$40,463,598

(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) 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 and 2010-11 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 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 affect, 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[1]

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 and the Series 2010F Certificates (collectively, the "**Prior Certificates**").

Participating K-12 Institutions	Description of Leased Property	Land
Series 2009 A Certificates		
Alamosa School District No. Re-11J	Two elementary schools (144,688 sq. ft./72 classrooms)[2]	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) [2]	40 acre parcel of agricultural land valued at $32,667
Sargent Re-33J	One junior/senior high school (62,463 sq. ft/18 classrooms) [2] [3]	1.2 acre parcel valued at $6,656
Series 2010B-C Certificates		
Alta Vista Charter School, Inc.	Addition to K-8 School [2] (18,000 sq. ft. + renovation)	7.4 acre parcel valued at $37,634
Colorado School for the Deaf and Blind	Historical Building Renovation [2] (6,000 sq. ft. addition/7 classrooms)	0.6 acre parcel valued at $55,756
Delta County Joint School District 50	Existing Elementary School	10.5 acre parcel valued at $60,000
Douglas County School District, Re1	Existing Administrative Building	2.1 acre parcel valued at $283,484
El Paso County School District No. 8	Existing Activity Center Building [2]	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.) [2]	2 acre parcel valued at $1,300
Park County School District Re-2	New PK-12 Campus (125,000 sq. ft./40 classrooms)	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)	1.1 acre parcel valued at $1,108,600
Swink School District No. 33	Elementary School Classroom Addition (5,800 sq. ft./6 classrooms) [2]	0.3 acre parcel valued at $230
Series 2010D-F Certificates		
Akron School District No. R-1	PK-12 school (108,700 sq. ft./32 classrooms)	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)	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

Participating K-12 Institutions	Description of Leased Property	Land
Lake George Charter School	PK-6 School (21,000 sq. ft./12 classrooms)	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)	8.8 acre parcel of land valued at $504,733
North Routt Community Charter School	K-8 School (12,241 sq. ft./6 classrooms) (3)	8.0 acre parcel of land valued at $60,000(3)
Salida School District R-32-J	High School (98,190 sq. ft. bldg./22 classrooms)	14.5 acre parcel of land valued at $453,370
Vista Charter School	Grades 6-8 School (16,835 sq. ft./9 classrooms)	2.3 acre parcel of land valued at $595,000

(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."

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 Colorado 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 2011; since certain information is released with a significant time lag, the information in many cases will not be indicative of existing or future economic and demographic conditions. Further, the reported data has not been adjusted for inflation or other economic influences. 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, sparsely populated, and used for agriculture in many areas. The Front Range lies along the 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 capital, is the economic center of the State and the Rocky Mountain region. Fifty-five percent of the State's population and about 60 percent of its jobs are located in the Denver/Boulder metropolitan area, which is a hub for transportation, communication, and banking. 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 estimates as of July 1 for each year from 2000 to 2010 for Colorado and the United States.

July 1 Population Estimates

	Colorado		United States	
	Population (millions)	% Change	Population (millions)	% Change
2000	4.33		282.17	
2001	4.43	2.4%	285.05	1.0%
2002	4.50	1.6	287.75	0.9
2003	4.55	1.0	290.24	0.9
2004	4.60	1.1	292.94	0.9
2005	4.66	1.3	295.62	0.9
2006	4.75	2.0	298.43	1.0
2007	4.84	1.9	301.39	1.0
2008	4.93	1.9	304.18	0.9
2009	5.02	1.8	306.66	0.8
2010	5.10	1.6	309.05	0.8

Note: All data are July 1 estimates and are not consistent with 2010 Census data. Intercensal population estimates consistent with Census 2010 were not available at the time of publication.
Sources: U.S. Census Bureau, Population Estimates Program.

The following table provides an age distribution for Colorado's population and the population nationwide based on the 2010 Census.

Age Distribution as of April 1, 2010

	Colorado		United States	
	Population (millions)	% of total	Population (millions)	% of total
Under 20 years	1.36	27.1%	83.27	27.0%
20 to 44 years	1.77	35.3	103.72	33.6
45 to 64 years	1.34	26.7	81.49	26.4
65 to 84 years	0.48	9.5	34.77	11.3
85+ years	0.07	1.4	5.49	1.8
Total	5.03	100.0%	308.75	100.0%
Median Age	36.1		37.2	

Note: Totals may not add due to rounding.
Source: U.S. Census Bureau, Census 2010.

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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

	Colorado		Rocky Mountain Region[1]		United States	
	Income	**% Change**	**Income**	**% Change**	**Income**	**% Change**
2005	$38,555		$34,064		$35,424	
2006	40,898	6.1%	36,293	6.5%	37,698	6.4%
2007	42,386	3.6	37,775	4.1	39,461	4.7
2008	43,560	2.8	38,857	2.9	40,674	3.1
2009	41,895	(3.8)	37,515	(3.5)	39,635	(2.6)
2010	42,802	2.2	38,285	2.1	40,584	2.4

Note: Intercensal population estimates consistent with Census 2010 were not available at the time of publication. Per capita personal income for years 2005 through 2009 is total personal income divided by July 1 population estimates that are not consistent with Census 2010. Per capita personal income for 2010 is total personal income divided by April 1 population from Census 2010. Because the population bases are inconsistent, percentage change in per capita personal income between 2010 and prior years should be interpreted with caution.
(1) The Rocky Mountain Region includes Colorado, Idaho, Montana, Utah, and Wyoming.
Source: U.S. Bureau of Economic Analysis.

Employment

The following table provides labor force, total employment, and unemployment statistics for Colorado.

Civilian Labor Force, Total Employment, and Unemployment Rates

	Colorado Civilian Labor Force (thousands)	% Change	Colorado Total Employment (thousands)[1]	% Change	Annual Average Unemployment Rate: Colorado	Annual Average Unemployment Rate: United States
2005	2,588.4		2,455.8		5.1%	5.1%
2006	2,655.6	2.6%	2,541.8	3.5%	4.3	4.6
2007	2,698.6	1.6	2,598.4	2.2	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
Year-to-date averages through April 2011:						
2010	2,688.2		2,436.5		9.4%	10.2%
2011	2,668.9	-0.7%	2,420.9	-0.6%	9.3%	9.3%

(1) 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.

Employment (continued)

The following table shows Colorado employment by industry in the third quarter of each year from 2005 through 2010. 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.

Average Number of Employees by Industry in Third Quarter

Industry	2005	2006	2007	2008	2009	2010	% Change, 2009Q3-2010Q3
Private Sector							
Agriculture, Forestry, Fishing, and Hunting	17,671	17,373	17,039	15,724	15,317	15,313	0.0%
Mining	17,724	21,443	25,772	29,039	22,760	24,983	9.8
Utilities	7,985	8,181	8,009	8,307	8,428	8,263	(2.0)
Construction	168,736	173,756	175,570	168,189	132,306	119,414	(9.7)
Manufacturing	151,356	149,889	147,091	144,421	128,160	126,409	(1.4)
Wholesale Trade	94,650	97,222	99,951	100,698	92,331	91,241	(1.2)
Retail Trade	246,043	247,441	254,216	253,247	237,383	238,148	0.3
Transportation and Warehousing	61,103	62,166	64,059	63,617	58,609	56,829	(3.0)
Information	77,158	75,384	76,358	76,866	73,990	71,382	(3.5)
Finance and Insurance	107,520	109,073	107,990	104,548	100,389	97,982	(2.4)
Real Estate and Rental and Leasing	47,300	48,034	48,234	47,061	42,519	41,445	(2.5)
Professional and Technical Services	155,964	163,128	171,236	176,357	166,993	167,047	0.0
Management of Companies and Enterprises	25,016	27,368	28,704	28,902	28,437	29,115	2.4
Administrative and Waste Services	141,436	148,317	155,628	152,121	134,761	138,947	3.1
Educational Services	24,368	25,138	26,353	26,955	27,413	28,422	3.7
Health Care and Social Assistance	197,472	202,857	211,065	220,609	225,885	232,830	3.1
Arts, Entertainment, and Recreation	44,496	45,396	45,620	46,956	45,797	46,013	0.5
Accommodation and Food Services	221,588	228,753	233,284	234,938	224,598	226,311	0.8
Other Services	65,786	66,394	67,674	69,609	66,040	66,180	0.2
Unclassified	219	291	567	1,012	585	282	(51.8)
Government	339,767	345,292	351,323	363,137	364,572	366,149	0.4
Total*	**2,213,356**	**2,262,896**	**2,315,741**	**2,332,313**	**2,197,273**	**2,192,705**	**-0.2%**

*Industry employment levels may not add to total due to rounding.
Source: Colorado Department of Labor and Employment, Quarterly Census of Employment and Wages.

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Employment (continued)

The following table shows the largest private sector employers in Colorado as of 2010. 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 (2010)

Employer	Type of Business	Estimated Employees[1]
Wal-Mart	General Merchandise	24,490
Dillon Companies (King Soopers/City Market)	Grocery	18,620
Centura Health	Healthcare	13,000
Safeway Inc.	Grocery	10,000
Lockheed Martin Corporation	Aerospace & Defense-Related Systems	9,830
HealthONE Corporation	Healthcare	9,640
CenturyLink[2]	Telecommunications	7,760
Exempla Healthcare	Healthcare	7,320
Target Corporation	General Merchandise	7,180
Home Depot	Building Materials Retailer	6,710
Wells Fargo Bank	Financial Services	6,300
Kaiser Permanente	Healthcare	5,870
University of Denver	Private University	5,490
Comcast Corporation	Telecommunications	5,300
DISH Network	Satellite TV & Equipment	4,690
Oracle	Software & Network Computer Systems	4,520
United Airlines	Airline	4,500
The Children's Hospital	Healthcare	4,270
IBM Corporation	Computer Systems & Services	4,200
University of Colorado Hospital[3]	Healthcare, Research	4,000
Republic Airways Holdings, Inc. (Frontier Airlines)	Airline Holding Company	3,760
Xcel Energy	Utilities	3,700
United Parcel Service	Parcel Delivery	3,620
Ball Corporation	Aerospace, Containers	3,200
MillerCoors Brewing Company	Beverages	2,810

(1) Includes both full- and part-time employees.
(2) Formerly Qwest Communications International, Inc.
(3) Some workers are also included in the employment count for the University of Colorado System (next table).

Sources: Colorado Department of Labor and Employment; Development Research Partners.

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Employment (continued)

The following table shows the largest public sector employers in Colorado as of 2010.

Estimated Largest Public Sector Employers in Colorado (2010)

Employer	Estimated Employees[1]
Federal Government	36,880
State of Colorado	33,480
University of Colorado System[2]	15,200
Denver Public Schools	13,590
Jeffferson County Public Schools	12,150
City and County of Denver	12,000
US Postal Service	11,030
Cherry Creek School District No 5	7,810
Douglas County School District RE-1	7,110
Colorado State University	6,850
Denver Health	5,310
Adams 12 Five Star Schools	5,160
Aurora Public Schools	5,000
Colorado Springs School District 11	4,920
Boulder Valley School District RE-2	4,340
Colorado Springs Memorial Hospital	4,070
Poudre School District R-1	3,980
St. Vrain Valley School District RE-1J	3,970
City of Aurora	3,400
Mesa County Valley School District 51	3,350
Academy Schools District No 20	3,300
Thompson School District R2J	2,980
Jefferson County	2,870
Colorado Springs	2,570
Pueblo School District No 60	2,500

(1) Includes both full- and part-time employees.
(2) Some workers are also included in the employment count for the University of Colorado Hospital (previous table).

Source: Colorado Department of Labor and Employment.

Retail Sales

The following table provides recent annual sales figures as reported for state sales tax purposes.

Colorado Gross and Retail Sales

	Gross Sales		Retail Sales	
	Amount (billions)	**% Change**	**Amount (billions)**	**% Change**
2005	$165.54		$123.43	
2006	186.68	12.8%	135.69	9.9%
2007	202.84	8.7	148.91	9.7%
2008	212.88	4.9	152.81	2.6%
2009	184.52	(13.3)	134.17	-12.2%
2010	193.88	5.1	142.77	6.4%

Note: Data are preliminary and are subject to revision.
Source: Colorado Department of Revenue.

The following table provides a recent history of Colorado retail sales totals by industry.

Colorado Retail Sales by Industry (millions) and Percentage Change from Prior Year

Industry	2005	% Change	2006	% Change	2007	% Change	2008	% Change	2009	% Change	2010	% Change
Agriculture/Forestry/Fishing	$175.1	8.6%	$303.1	73.1%	$341.1	12.5%	$303.8	-10.9%	$285.2	-6.1%	$330.4	15.9%
Mining	1,402.4	41.9	2,239.9	59.7	2,955.1	31.9	3,414.2	15.5	2,226.6	(34.8)	2,536.2	13.9
Utilities	5,822.7	24.0	5,453.7	(6.3)	6,312.3	15.7	7,094.1	12.4	6,706.0	(5.5)	8,222.9	22.6
Construction	2,687.5	5.3	3,262.6	21.4	3,684.8	12.9	3,770.0	2.3	2,807.3	(25.5)	2,759.3	(1.7)
Manufacturing	8,579.5	14.1	10,097.7	17.7	11,400.6	12.9	11,757.8	3.1	9,219.8	(21.6)	9,891.9	7.3
Wholesale Trade	11,155.0	24.1	12,577.6	12.8	14,493.5	15.2	14,491.1	(0.0)	11,891.4	(17.9)	12,365.7	4.0
Retail Trade												
Motor Vehicle and Auto Parts	13,609.6	(2.6)	13,270.9	(2.5)	14,182.4	6.9	12,156.8	(14.3)	10,254.5	(15.6)	11,292.6	10.1
Furniture and Furnishings	2,376.5	2.3	2,481.7	4.4	2,573.8	3.7	2,353.2	(8.6)	1,893.9	(19.5)	1,902.8	0.5
Electronics and Appliances	1,914.4	1.7	2,074.0	8.3	2,304.7	11.1	2,244.0	(2.6)	1,982.9	(11.6)	2,137.3	7.8
Building Materials/Nurseries	5,572.8	12.0	5,820.6	4.4	5,766.4	(0.9)	5,281.0	(8.4)	4,202.7	(20.4)	4,393.3	4.5
Food/Beverage Stores	10,443.2	6.1	11,064.3	5.9	12,095.1	9.3	12,927.4	6.9	12,557.6	(2.9)	13,352.5	6.3
Health and Personal Care	1,744.7	4.7	1,978.3	13.4	2,139.1	8.1	2,268.8	6.1	2,350.1	3.6	2,523.8	7.4
Gas Stations	4,366.0	22.3	4,878.1	11.7	5,230.0	7.2	5,764.6	10.2	4,002.1	(30.6)	4,692.3	17.2
Clothing and Accessories	2,581.7	(0.5)	2,870.7	11.2	3,185.4	11.0	3,108.1	(2.4)	2,892.9	(6.9)	3,113.4	7.6
Sporting/Hobby/Books/Music	2,390.1	4.2	2,546.2	6.5	2,692.2	5.7	2,579.4	(4.2)	2,367.6	(8.2)	2,498.4	5.5
General Merchandise/Warehouse	9,799.4	7.3	10,304.6	5.2	10,997.6	6.7	11,334.9	3.1	10,973.6	(3.2)	11,088.8	1.0
Misc Store Retailers	2,384.8	9.1	2,404.4	0.8	2,450.4	1.9	2,364.4	(3.5)	2,204.6	(6.8)	2,422.6	9.9
Non-Store Retailers	1,565.3	13.1	3,299.6	110.8	3,715.0	12.6	4,299.7	15.7	2,794.2	(35.0)	2,917.6	4.4
Total Retail Trade	**58,748.4**	**5.2**	**62,993.5**	**7.2**	**67,332.1**	**6.9**	**66,682.2**	**(1.0)**	**58,476.7**	**(12.3)**	**62,335.4**	**6.6**
Transportation/Warehouse	789.9	12.1	887.0	12.3	829.4	(6.5)	756.2	(8.8)	585.8	(22.5)	520.4	(11.2)
Information	5,648.6	8.9	5,803.6	2.7	6,232.2	7.4	6,983.6	12.1	7,044.4	0.9	6,857.5	(2.7)
Finance/Insurance	1,359.7	33.1	2,120.3	55.9	2,299.9	8.5	3,085.9	34.2	2,845.4	(7.8)	3,175.6	11.6
Real Estate/Rental/Lease	3,016.2	6.8	3,393.4	12.5	3,647.3	7.5	3,607.7	(1.1)	2,903.0	(19.5)	3,135.6	8.0
Professional/Scientific/Technical	5,623.3	(9.1)	6,065.8	7.9	6,623.3	9.2	6,861.0	3.6	6,059.6	(11.7)	6,572.8	8.5
Admin/Support/Waste/Remediation	1,402.2	9.1	1,443.2	2.9	1,745.7	21.0	1,955.5	12.0	1,794.7	(8.2)	1,830.3	2.0
Education	329.2	25.3	389.1	18.2	425.1	9.2	461.6	8.6	421.9	(8.6)	475.6	12.7
Health Care/Social Assistance	3,384.6	8.9	3,923.9	15.9	4,563.1	16.3	5,275.3	15.6	5,740.5	8.8	5,947.5	3.6
Arts/Entertainment/Recreation	781.6	9.7	890.1	13.9	952.6	7.0	971.5	2.0	903.8	(7.0)	951.4	5.3
Accommodation	2,281.2	7.6	2,600.3	14.0	2,904.8	11.7	3,033.8	4.4	2,566.9	(15.4)	2,704.5	5.4
Food/Drinking Services	6,744.0	4.5	7,443.9	10.4	8,042.5	8.0	8,229.0	2.3	7,976.5	(3.1)	8,339.3	4.5
Other Services	3,146.2	6.3	3,480.1	10.6	3,825.9	9.9	3,825.2	(0.0)	3,472.6	(9.2)	3,564.9	2.7
Government	353.7	29.8	322.8	(8.8)	299.3	(7.3)	249.6	(16.6)	241.6	(3.2)	255.2	5.6
Total All Industries	**123,431.0**	**8.4**	**135,691.6**	**9.9**	**148,910.8**	**9.7**	**152,809.2**	**2.6**	**134,169.6**	**(12.2)**	**142,772.2**	**6.4**

Note: Data are preliminary and are subject to revision. 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[1]		**Conventions[2]** *Conventions*		*Delegates*		*Spending*		**Skier Visits[3]**	
	Number (millions)	**% Change**	**Number**	**% Change**	**Number (thousands)**	**% Change**	**Amount (millions)**	**% Change**	**Number (millions)**	**% Change**
2005	5.46		40		153.4		$305.7		11.82	
2006	5.38	-1.6%	55	37.5%	180.2	17.5%	358.9	17.4%	12.53	6.1%
2007	5.64	4.9	75	36.4	215.4	19.5	429.1	19.6	12.57	0.3
2008	5.45	(3.3)	75	-	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	0.0

(1) Count of recreational visitors for all of the State's National Parks Service territories, which include national parks, monuments, historic sites, and recreation areas.
(2) Includes only those conventions held at the Colorado Convention Center.
(3) 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.

Residential Housing Starts

The following table provides a recent history of the number of new residential units permitted in Colorado.

New Privately Owned Housing Units Authorized in Colorado

	1 Unit	**2 Units**	**3 and 4 Units**	**5 or more Units**	**Total Units Authorized**	**% Change**
2005	40,140	580	653	4,518	45,891	
2006	30,365	654	563	6,761	38,343	-16.4%
2007	20,516	448	411	8,079	29,454	(23.2)
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
Year-to-date totals through April:						
2010	3,167	72	49	975	4,263	
2011	2,627	96	20	887	3,630	
% change	*-17.1%*	*33.3%*	*-59.2%*	*-9.0%*	*-14.8%*	

Source: U.S. Census Bureau.

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Residential Foreclosures

The following table provides a recent 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 proceed no less than 110 days after the initial filing. Once a foreclosure sale is completed, the eviction process begins. Note that percentage changes in filing activity reflect events and trends external to the housing market, specifically foreclosure moratoria and, more recently, legal challenges that have slowed lenders' filing processes.

Foreclosure Filings and Sales in Colorado

	Foreclosure Filings[1]	% Change	Foreclosure Sales at Auction	% Change
2005	21,782		12,699	
2006	28,435	30.5%	17,451	37.4%
2007	39,920	40.4	25,054	43.6
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
Year-to-date totals through first quarter:				
2010	11,136		6,686	
2011	8,115	-27.1%	5,605	-16.2%

(1) 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 appears artificially low when compared to 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 PERA Comprehensive Annual Financial Report for the Plan Year ended December 31, 2010 (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, 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 the Public Employees' Retirement Association ("**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 (recently added 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 2010 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 the Official Statement and in this Appendix relates only to the Plan. See Note 20 to the State's Fiscal Year 2009-10 CAFR and the State's unaudited Fiscal Year 2010-11 BFS attached as **Appendix A** to this Official Statement and Note 8 to the PERA 2010 CAFR for a discussion of the DC Plan. The information in the State's Fiscal Year 2009-10 CAFR is based on PERA's Comprehensive Annual Financial Report for calendar year 2009; however, the information in this State's unaudited 2010-11 BFS and the information in this Appendix has been updated for the information provided in the PERA 2010 CAFR released in June 2011.

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 the State's Fiscal Year 2009-10 CAFR, and the State's unaudited Fiscal Year 2010-11 BFS appended to this Official Statement, the PERA 2010 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 (SRC). 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 (before the AED and SAED discussed below). 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 2009-10. See Note 18 to the State's Fiscal Year 2009-10 CAFR and the State's unaudited Fiscal Year 2010-11 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. 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 the State's Fiscal Year 2009-10 CAFR, and the State's unaudited Fiscal Year 2010-11 BFS appended to this Official Statement for a discussion of the AED and SAED.

Annual Required Contribution (ARC). 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. At the December 31, 2010, the State Division's ARC was 18.93% of employee salaries. 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. In order to achieve the 30-year maximum UAAL amortization period, the ARC is greater than the SRC, which would amortize the UAAL over 47 years (at December 31, 2010, based on SRC contribution rate, the value of the plan assets and the investment return assumptions 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 made 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, 2010, (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 2001 through 2005; State Division 2006 through 2010
(Dollar amounts in thousands)

Plan [1]	Calendar Year	Annual Required Contribution (ARC)	Statutory Required Contribution (SRC) [2]	Actual Employer Contribution	Actual Contribution as a Percent of ARC	Amount Unfunded ARC-Actual Employer Contribution
State Division	2010	$452,821 [3]	$287,624 [4]	$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	--
State and School Division	2001	314,649	314,649	314,649	100.00	--

1 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.

2 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.

3 Represents the contribution necessary at December 31, 2010 to amortize UAAL within the 30-year maximum period allowed under GAAP.

4 Contributions at this level as of December 31, 2010 would require 47 year to amortize the UAAL.

Sources: PERA Comprehensive Annual Financial Reports for calendar years 2005 and 2010

Plan Assets, Liabilities and Funding Levels

At December 31, 2010 (the latest period for which audited information for the Plan is available), based on PERA's CAFR for the Plan year ended December 31, 2010, the actuarial value of the Plan assets and the actuarial accrued liability ("AAL") of the Plan were $12.8 billion and $20.4 billion, respectively, resulting in a UAAL of $7.6 billion and a funded ratio of 62.8%. The UAAL would amortize over a 47-

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 62.8%. At December 31, 2010, the funded ratio of the Plan based on the market value of assets was 61.3%, representing a UAAL of $7.9 billion. Table 2 below sets forth for each of the ten years through December 31, 2010, 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, 2010, 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, PERA's CAFR for Plan year 2010 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) the valuation of assets is based on an actuarial value of assets whereby gains and losses relative to an 8.00% annual return are 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; and (6) cost of living adjustments are assumed to be 2.00% per year. See Note 11 to the PERA 2010 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 2001 through 2004; State Division 2005 through 2010
(Dollar Amounts in Thousands)

Plan [1]	Date Ending December 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Employer Payroll	UAAL as a Percentage of Employer Payroll
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
State and School Division	2001	28,947,935	29,469,608	521,673	98.2	4,954,605	10.5

[1] 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.

Sources: PERA Comprehensive Annual Financial Reports for calendar years 2005 and 2010

Table 3
Historical Funding Progress
Market Value of Plan Assets
State and School Division 2001 through 2005; State Division 2006 through 2010
(Dollar Amounts in Thousands)

Plan [1]	Valuation Date (December 31)	Market Value of Assets[2]	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Employer Payroll	UAAL as a Percentage of Employer Payroll
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
State and School Division	2001	25,500,904	29,469,608	3,968,704	86.5	4,954,605	80.1

[1] 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.

[2] Market Value of Assets is net of related current liabilities at the financial statement date and equals net assets held in trust for beneficiaries.

Sources: PERA Comprehensive Annual Financial Reports for calendar years 2001 through 2010

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