**NEW ISSUE – Book-Entry Only**

**RATINGS: Moody's: "Aa2"**
**S&P: "AA-"**
**See "RATINGS"**

*In the opinion of Greenberg Traurig, LLP, Bond Counsel, assuming the accuracy of certain representations and certifications and continuing compliance with certain covenants, under existing statutes, regulations, rulings, and court decisions, the portion of Base Rent designated and paid by the State as interest on the Series 2021A Certificates (referred to herein as "**interest**") is excludable from gross income for federal income tax purposes, and, further, that interest on the Series 2021A Certificates is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals. Bond Counsel is further of the opinion that, under existing State of Colorado statutes, regulations, rulings and court decisions, such interest is excludable from taxable income for purposes of the State of Colorado income tax and the State of Colorado alternative minimum tax. No opinion is expressed with respect to the federal income tax or Colorado income tax consequences of any payments received with respect to the Series 2021A Certificates following the termination of the Series 2021A Lease as a result of non-appropriation of funds or the occurrence of an event of default thereunder. See "TAX MATTERS" herein.*

# $500,000,000
# STATE OF COLORADO
## RURAL COLORADO
## CERTIFICATES OF PARTICIPATION
## SERIES 2021A

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

The Series 2021A Certificates are being executed and delivered as fully registered certificates in denominations of $5,000, or any integral multiple thereof. The Series 2021A Certificates bear interest at the rates set forth herein, payable on December 15, 2021, and semiannually thereafter on June 15 and December 15 of each year, to and including the maturity dates shown on the inside cover hereof (unless the Series 2021A Certificates are redeemed earlier) by check or draft mailed to the registered owner of the Series 2021A Certificates, initially Cede & Co., as nominee of The Depository Trust Company, New York, New York ("**DTC**"), securities depository for the Series 2021A Certificates.

**Maturity, principal amount, interest rate, and price information for the Series 2021A Certificates is located on the inside cover page of this Official Statement.**

The Series 2021A Certificates will be executed and delivered by Zions Bancorporation, National Association, Denver, Colorado, as trustee (the "**Trustee**") pursuant to and secured by a Master Trust Indenture (the "**Master Indenture**") dated as of September 1, 2018 as supplemented and amended from time to time (the "**Indenture**"). **The Series 2021A Certificates are currently the third series of certificates authorized under State law to be executed and delivered pursuant to the Indenture, and additional certificates may be executed and delivered thereunder if certain conditions described herein occur or separate authorization is provided by the State General Assembly in the future.** The Series 2021A Certificates and additional series of certificates that have been or may be executed and delivered in the future pursuant to the Indenture (collectively, the "**Certificates**") will be paid and secured on a parity basis and will evidence undivided interests in the right to certain payments by the State under annually renewable lease-purchase agreements that have been or may 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 lease purchase agreement entered into in connection with the Series 2021A Certificates (the "**2021A Lease**") and such other annually renewable lease-purchase agreements that have been or may be entered into pursuant to the Indenture, collectively, are referred to as the "**Leases**"). Pursuant to applicable statutes, the State will pay Rent under the 2021A Lease, subject to the terms of the 2021A Lease, from money in both the State of Colorado Highway Fund (the "**State Highway Fund**") and the State's General Fund (the "**General Fund**").

The net proceeds of the Series 2021A Certificates will be used to pay the costs of certain State projects as further described herein and to pay the costs of issuance of the Series 2021A 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 the State has leased to the Trustee pursuant to individual site leases (the "Site Leases") and the Trustee has leased back to the State pursuant to Leases.

*The Series 2021A Certificates are subject to redemption prior to their stated maturity date, as more fully described herein.*

**Payment of Rent and all other payments under the 2021A Lease constitute currently appropriated expenditures of the State of Colorado General Assembly (the "General Assembly") or currently allocated expenditures of the State of Colorado Transportation Commission (the "Transportation Commission") on behalf of the Colorado Department of Transportation ("CDOT") and may be paid solely from legally available money in the State Highway Fund or the General Fund. The obligations to pay Rent and all other obligations under the 2021A Lease are subject to both annual appropriation by the General Assembly in its sole discretion and annual allocations by the Transportation Commission in its sole discretion, and shall not be deemed or construed as creating an indebtedness of the State or CDOT 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 or CDOT 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.**

*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 2021A Certificates are offered when, as and if delivered, subject to the approving opinion of Greenberg Traurig 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. Kline Alvarado Veio P.C., Denver, Colorado, has acted as counsel to the Underwriters. Hilltop Securities Inc., Denver, Colorado, has acted as municipal advisor to the State and Stifel Nicolaus & Company, Incorporated, Denver, Colorado, has acted as municipal advisor to CDOT in connection with the offering, execution and delivery of the Series 2021A Certificates. It is expected that the Series 2021A Certificates will be executed and available for delivery through the facilities of DTC, on or about June 2, 2021.

**J.P. Morgan**

**BofA Securities** **Drexel Hamilton, LLC** **Loop Capital Markets**

**RBC Capital Markets** **UBS** **Wells Fargo Securities**

Dated: May 19, 2021.

**MATURITY SCHEDULE**
**(CUSIP© 6-digit issuer number: 196711)**

**$500,000,000**
**STATE OF COLORADO**
**RURAL COLORADO**
**CERTIFICATES OF PARTICIPATION**
**SERIES 2021A**

| Maturing (December 15) | Principal Amount | Interest Rate | Yield | CUSIP© |
|---|---|---|---|---|
| 2021 | $14,370,000 | 5.000% | 0.110% | TJ4 |
| 2022 | 15,950,000 | 5.000 | 0.150 | TK1 |
| 2023 | 16,765,000 | 5.000 | 0.210 | TL9 |
| 2024 | 17,625,000 | 5.000 | 0.360 | TM7 |
| 2025 | 18,530,000 | 5.000 | 0.500 | TN5 |
| 2026 | 19,480,000 | 5.000 | 0.630 | TP0 |
| 2027 | 20,480,000 | 5.000 | 0.810 | TQ8 |
| 2028 | 21,530,000 | 5.000 | 0.930 | TR6 |
| 2029 | 22,635,000 | 5.000 | 1.070 | TS4 |
| 2030 | 23,795,000 | 5.000 | 1.150 | TT2 |
| 2031 | 25,015,000 | 5.000 | 1.260 | TU9 |
| 2032 | 26,295,000 | 5.000 | 1.340(1) | TV7 |
| 2033 | 27,645,000 | 5.000 | 1.390(1) | TW5 |
| 2034 | 29,065,000 | 5.000 | 1.420(1) | TX3 |
| 2035 | 30,400,000 | 4.000 | 1.520(1) | TY1 |
| 2036 | 31,640,000 | 4.000 | 1.560(1) | TZ8 |
| 2037 | 32,765,000 | 3.000 | 1.880(1) | UA1 |
| 2038 | 33,935,000 | 4.000 | 1.630(1) | UB9 |
| 2039 | 35,320,000 | 4.000 | 1.670(1) | UC7 |
| 2040 | 36,760,000 | 4.000 | 1.710(1) | UD5 |

(1) Priced to the first optional redemption date of December 15, 2031.

## 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 2021A 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 2021A 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 2021A 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 2021A Certificates. The Trustee does not have and does not assume any responsibility as to the accuracy or completeness of any information contained in this Official Statement or any other such disclosure documents, except the information concerning and obtained from the Trustee for inclusion herein.

This Official Statement has been prepared only in connection with the original offering of the Series 2021A Certificates and may not be reproduced or used in whole or in part for any other purpose.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended, and in effect on the date hereof, this Preliminary Official Statement constitutes an official statement of the State that has been deemed final by the State as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

The Series 2021A 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 2021A Certificates and the terms of the offering, including the merits and risks involved. The Series 2021A 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 2021A 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.

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

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This Official Statement, including but not limited to the material set forth under "PLAN OF FINANCING," "CERTAIN RISK FACTORS," "STATE FINANCIAL INFORMATION," "COLORADO DEPARTMENT OF TRANSPORTATION FINANCIAL INFORMATION," "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS," "LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE" and in Appendices E, G and J 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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## APPENDICES

**OFFICIAL STATEMENT**

**\$500,000,000**
**STATE OF COLORADO**
**RURAL COLORADO**
**CERTIFICATES OF PARTICIPATION**
**SERIES 2021A**

## INTRODUCTION

### General

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, Rural Colorado, Certificates of Participation, Series 2021A (the "**Series 2021A Certificates**").

The Series 2021A Certificates will be executed and delivered by Zions Bancorporation, National Association, Denver, Colorado, as trustee (the "**Trustee**") pursuant to and secured by a Master Trust Indenture, dated as of September 1, 2018 (the "**Master Indenture**") as supplemented and amended by a Series 2018A Supplemental Indenture, dated as of September 1, 2018 (the "**2018A Supplemental Indenture**"), a Series 2020A Supplemental Indenture, dated as of December 9, 2020 (the "**2020A Supplemental Indenture**") and a Series 2021A Supplemental Indenture, dated as of June 1, 2021 (the "**2021A Supplemental Indenture**") (The Master Indenture, as supplemented and amended by the 2018A Supplemental Indenture, the 2020A Supplemental Indenture and the Supplemental 2021A Supplemental Indenture, and as further supplemented and amended from time-to-time, is referred to as the "**Indenture**").

**The Series 2021A Certificates are currently the third series of Certificates (as defined below) authorized under State law to be executed and delivered pursuant to the Indenture. Upon execution and delivery of the Series 2021A Certificates, the State of Colorado, Rural Colorado Certificates of Participation, Series 2018A and the State of Colorado, Rural Colorado Certificates of Participation, Series 2020A (collectively, the "Prior Certificates") will also be outstanding in the aggregate principal amounts of \$445,995,000 and \$485,630,000, respectively. Additional Certificates may be executed and delivered thereunder if certain conditions described herein under "INTRODUCTION – Authority for Delivery" occur or separate authorization is provided by the State General Assembly in the future.** The Series 2021A Certificates and any additional series of Certificates that have been or may be executed and delivered in the future pursuant to the Indenture (collectively, the "**Certificates**") will be paid and secured on a parity basis and will evidence undivided interests in the right to certain payments by the State under the annually renewable Series 2021A Lease Purchase Agreement dated as of the date of delivery of the Series 2021A Certificates (the "**2021A Lease**") and other annually renewable lease-purchase agreements that have been or may 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 2021A 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 as **Appendix B** to the form of the Master 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. 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 offering of Series 2021A Certificates to potential investors is made only by means of the entire Official Statement.

**COVID-19 (Coronavirus)**

The spread of a novel strain of coronavirus called COVID-19 is currently altering the behavior of businesses and people in a manner that is having significant negative effects on global, national, state and local economies, including the economy of the State. COVID-19 has caused a substantial reduction in revenues to the State while also necessitating a significant increase in expenditures for public health emergency response costs. In addition, several measures have been ordered by the Governor of the State (the **"Governor"**), the Colorado Department of Public Health and Environment (**"CDPHE"**) and local public health and other governmental entities in an effort to mitigate the effects of the pandemic and reduce the spread of COVID-19 in the State, including, among others, so called "stay at home" or "safer at home" orders. The various public health measures are constantly changing in response to the status of the pandemic in the State, and the ever-evolving impact of COVID-19 and the public health response thereto, has made economic, operational and financial planning and forecasting more difficult. Certain aspects of the current and prospective impact of COVID-19 on the operations and finances of the State are discussed in this Official Statement. **Investors should review information regarding the COVID-19 pandemic in "CERTAIN RISK FACTORS – Impact of COVID-19 (Coronavirus)," "COLORADO DEPARTMENT OF TRANSPORTATION FINANCIAL INFORMATION – General Fund Transfers" and Appendices E, F and G. As discussed herein, COVID-19 is expected to materially adversely impact the finances of the State and CDOT beginning in Fiscal Year 2021. Unless, otherwise noted, historical, financial, economic and demographic data contained herein does not reflect the impact of COVID-19.**

**Authority for Delivery**

The Series 2021A Certificates are being executed and delivered under authority granted by the Colorado constitution and laws of the State, and particularly Senate Bill 17-267 ("**SB 17-267**"), Senate Bill 18-001 ("**SB 18-001**") and Senate Bill 19-263 ("**SB 19-263**") codified in part by Colorado Revised Statutes (**"C.R.S."**) Section 24-82-1301, *et seq*., as amended (the "**Act**"), and the Supplemental Public Securities Act (Title 11, Article 57, Part 2, Colorado Revised Statutes). **Some provisions of the Act may be repealed or modified under certain circumstances as described below.**

***SB 17-267***

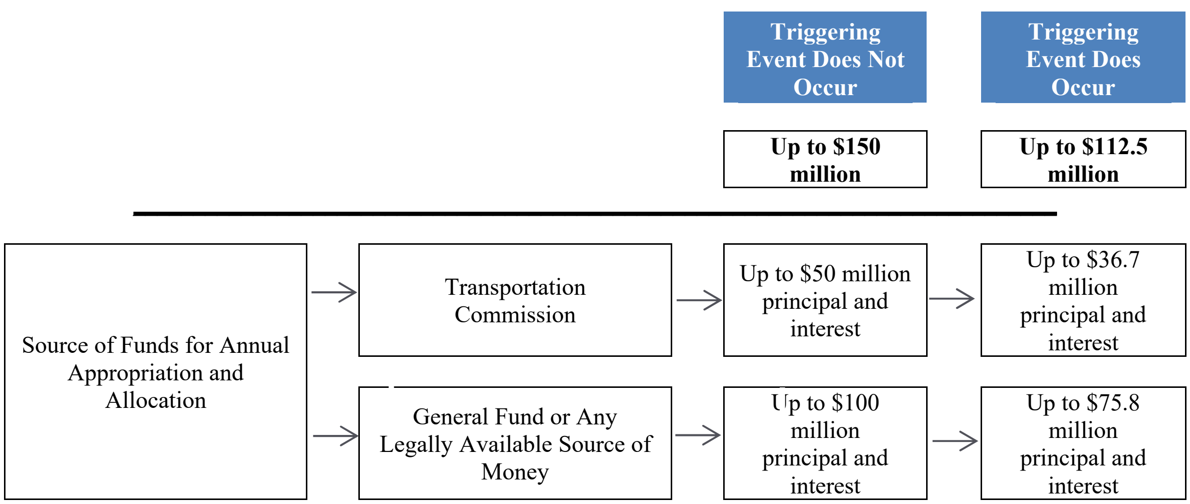
SB 17-267 authorizes, among other things, the creation of lease-purchase agreements on existing State facilities for the purpose of funding state highway and transit projects throughout Colorado ("**State Highway and Transit Projects**") and other State capital construction projects throughout Colorado ("**State Capital Construction Projects**"), including controlled maintenance and upkeep of State capital assets. Pursuant to SB 17-267, the State Architect, in consultation with the Office of State Planning and Budgeting and higher education institutions, prepared a list of State facilities that may be collateralized as part of the lease-purchase agreements with a total current replacement value of at least $2.0 billion. Subject to the limitation described below under "Potential Modification of Certain Provisions of SB 17-267," SB 17-267 authorizes the State to execute lease-purchase agreements in an amount up to $500 million in each of the four Fiscal Years ending June 30, 2019 through June 30, 2022. Upon the execution and delivery of the Series 2021A Certificates, the State will have executed Leases in the aggregate principal amount of $1.5 billion pursuant to SB 17-267.

A lawsuit has been filed against the State of Colorado which, among other things, asserts that SB 17-267 is unconstitutional. See "CERTAIN RISK FACTORS – If Litigation Challenging SB 17-267 is Successful, Payments under the Series 2021A Certificates May be Suspended or Terminated." and "LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE – Litigation with Respect to SB 17-267." As discussed more fully under "LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE – Litigation with Respect to SB 17-267," the Colorado Court of Appeals issued an opinion on November 5, 2020 finding such lawsuit should be dismissed for lack of standing. On December 17, 2020, the TABOR Foundation submitted a Petition for Writ of Certiorari in the Colorado Supreme Court, and the State filed a brief in opposition. The Petition for Writ of Certiorari is now fully briefed, and the State awaits a decision from the Colorado Supreme Court. **The Colorado Supreme Court is not required to accept the case for review and if it does accept it for review, it is not required to defer to, or follow, the legal analysis of either the District Court or Colorado Court of Appeals in this case.**

***Potential Modification of Certain Provisions of SB 17-267***

Several provisions of SB 17-267 will be modified pursuant to SB19-263, House Bill 20-1376 (**"HB 20-1376"**) and House Bill 21-1196 in the event that a ballot issue authorizing the State to issue transportation revenue anticipation notes for repayment of the notes is approved by the registered electors of the State at the November 2021 general election (the "**Triggering Event**"). It is not yet clear whether such a ballot issue will be submitted or qualify for the November 2021 election.

The Triggering Event would have the following effect on the SB 17-267 authorization as it relates to the structure and security for the Series 2021A Certificates: (a) the State would no longer be authorized under SB 17-267 to execute additional lease-purchase agreements for State Highway and Transit Projects beyond the aggregate principal amount of $1.5 billion represented by the Prior Certificates and the Series 2021A Certificates; (b) the aggregate annual limit of lease payments by the State for principal and interest components of Rent under the Leases would be reduced from $150 million to $112.5 million; (c) the source of funds available for annual allocation by the State of Colorado Transportation Commission (the "**Transportation Commission**") to pay Rent under the 2021A Lease each year from legally available money in the State of Colorado Highway Fund (the "**State Highway Fund**") would be reduced from a limit up to $50 million to a limit up to $36.7 million; and (d) the source of funds available for annual appropriation or allocation, as applicable, from the General Fund or any legally available source of money by the State of Colorado General Assembly (the "**General Assembly**") or other entity to pay Rent under the 2021A Lease each year would be increased from a limit up to $25.0 million to a limit up to $75.8 million. Because of the possibility the Triggering Event could still occur, the Series 2021A Certificates have been structured to comply with the more restrictive annual lease payment limit of $112.5 million pursuant to SB 19-263, however, such annual limit would be increased to $150 million in the event the Triggering Event does not occur. The potential revision to the sources of funds available for annual allocation and appropriation to pay Rent under the Leases are reflected in the diagram below:




In order to address stresses on the General Fund described herein under "CERTAIN RISK FACTORS – Impact of COVID-19 (Coronavirus)," HB 20-1376 further modified the sources of funds reflected in the diagram above by decreasing the appropriation from the General Fund or any other legally available source of money in the two Fiscal Years ending June 30, 2021 and June 30, 2022 by $12 million in each of such fiscal years and increasing the Transportation Commission's allocation by a corresponding $12 million in each of such fiscal years.

The 2021A Lease provides that to the extent the Act is changed at any time to increase the maximum total amounts of annual lease payments during any fiscal year under the Leases or change the amounts allocated between the State General Fund and CDOT, such increase and new allocation amounts under the provisions of the Act will take effect without any further action by the State or the Trustee. **ACCORDINGLY, INVESTORS SHOULD NOT RELY ON ANY SPECIFIC ALLOCATION OF THE GENERAL FUND OR STATE HIGHWAY FUND AS SOURCES OF FUNDS FOR ANY ANNUAL APPROPRIATION OR ALLOCATION BY THE GENERAL ASSEMBLY OR THE TRANSPORTATION COMMISSION, RESPECTIVELY. SUCH ALLOCATIONS COULD CHANGE AT ANY TIME WHILE THE SERIES 2021A CERTIFICATES ARE OUTSTANDING.**

**The General Fund and State Highway Fund**

The Series 2021A Certificates will be payable solely from amounts annually appropriated by the Colorado General Assembly and amounts allocated by the Transportation Commission to make payments under the Leases, as described in "Sources of Payment for the Series 2021A Certificates" under this caption. The Act requires that, to the extent appropriated, such payments by the State be made from any money that the Colorado General Assembly transfers from the State General Fund and any other legally available sources and any money that the Transportation Commission allocates from the State Highway Fund and any other legally available sources.

**Investors should closely review the financial and other information included in this Official Statement regarding the State, the State General Fund, CDOT and State Highway Fund to evaluate any risks of nonappropriation by the Colorado General Assembly or nonallocation by the Transportation Commission. See "CERTAIN RISK FACTORS," "STATE FINANCIAL INFORMATION," "COLORADO DEPARTMENT OF TRANSPORTATION FINANCIAL INFORMATION" and Appendices A, E, F, G, I and J hereto. In particular, investors should review information regarding the COVID-19 pandemic in "CERTAIN RISK FACTORS – Impact of COVID-19 (Coronavirus)," "COLORADO DEPARTMENT OF TRANSPORTATION FINANCIAL INFORMATION – General Fund Transfers" and Appendices E, F and G. As discussed herein, COVID-19 has materially adversely impacted the finances of the State and CDOT beginning in Fiscal Year 2020. Unless, otherwise noted, historical financial, economic and demographic data contained herein does not reflect the impact of COVID-19.**

**Purposes of the Series 2021A Certificates**

Proceeds from the sale of the Series 2021A Certificates will be used to finance the costs of the Series 2021A Projects, as more fully described under this caption and "PLAN OF FINANCING – The Series 2021A Projects." Proceeds of the Series 2021A Certificates will also be used to pay the costs of issuance associated with the Series 2021A Certificates. See "PLAN OF FINANCING – Sources and Uses of Funds" for a description of the estimated uses of proceeds of the Series 2021A Certificates.

**The Series 2021A Projects**

The Series 2021A Projects involve various capital projects described herein under "PLAN OF FINANCING – The Series 2021A Projects." Other projects may be funded with proceeds of additional Series of Certificates that may be executed and delivered under the Master Indenture relating to a separate Lease or an amendment to the 2021A Lease. However, such additional Series of Certificates will require certain conditions described herein under "INTRODUCTION – Authority for Delivery" to occur or further authorization by the Colorado General Assembly.

**The Leased Property**

The State is entering into a Site Lease with the Trustee dated as of the date of delivery of the Series 2021A Certificates (the "**2021 Site Lease**") pursuant to which certain land owned by the State and the buildings, structures and improvements now or hereafter located on such land (collectively, the "**2021A 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 2021A Leased Property and any additional Leases or amendments to the 2021A Lease are referred to herein as the "**Leased Property**." The 2021A Leased Property is being leased back by the Trustee to the State, pursuant to the 2021A Lease. Any additional Leased Property which the State may choose in the future to lease under the additional Leases or amendments to the 2021A Lease will secure all holders of Certificates under the Master Indenture, including holders of the Series 2021A 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 or decision of the Transportation Commission not to allocate funds to pay Base Rent, the State would relinquish its right to use all of the Leased Property (including the 2021A Leased Property) or any portion thereof through the term of the respective Site Leases. See "SECURITY AND SOURCES OF PAYMENT – The Leased Property" and "BASE RENT AND SERIES 2021A CERTIFICATES PAYMENT SCHEDULE."

**Terms of the Series 2021A Certificates**

***Payments***

Principal of and premium, if any, on the Series 2021A Certificates is payable when due upon surrender of the Series 2021A Certificates at the office of the Trustee. Interest on each Series 2021A 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 2021A Certificates are deliverable in the authorized denomination of $5,000 and integral multiples thereof.

***Redemption***

The Series 2021A Certificates are subject to optional, mandatory and extraordinary redemption prior to their stated maturity date under certain circumstances described herein under "THE SERIES 2021A Certificates – Redemption."

***Additional Certificates***

The Master Indenture permits the execution and delivery of one or more Series of Certificates in addition to the Series 2021A Certificates and the Prior Certificates secured by the Trust Estate on parity with the Series 2021A Certificates and the Prior Certificates without notice to or approval of the owners of the Outstanding Series 2021A Certificates or the 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 2021A CERTIFICATES – Additional Series of Certificates." If any additional Certificates are executed and delivered, the 2021A Lease must be amended or an additional Lease shall be entered into 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 2021A Certificates, the Indenture pursuant to which such Series 2021A Certificates are being executed and delivered, see "Forms of Master Indenture, 2021A Supplemental Indenture, 2021A Lease and 2021 Site Lease" attached hereto in **Appendix B**.

**Sources of Payment for the Series 2021A Certificates**

The Series 2021A Certificates are payable solely from Base Rent annually appropriated by the State General Assembly or annually allocated by the Transportation Commission, other Lease Revenues received by the Trustee pursuant to the 2021A Lease and other money in the Trust Estate in accordance with the terms of the Indenture. See "SECURITY AND SOURCES OF PAYMENT." The 2021A Lease provides 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 2021A Lease, 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 2021A Lease and future Leases will 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 and the Transportation Commission have, on such date, failed, for any reason, to appropriate and allocate 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 and the Transportation Commission have appropriated, allocated 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 2021A Lease, including the sale or lease of the Trustee's interest in the 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 2021A Certificates as described in the form of Master Indenture attached hereto in **Appendix B**. There can be no assurance that such proceeds will be sufficient to pay all of the principal due on the Series 2021A Certificates.

The State has the option to terminate a Lease and release the related Leased Property from the Indenture in connection with the defeasance of the related Certificates by paying the State's Purchase Option Price as described under "THE SERIES 2021A 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 under the 2021A Lease shall constitute currently appropriated expenditures of the General Assembly or currently allocated expenditures of the Transportation Commission and may be paid solely from legally available money in the State Highway Fund or the General Fund. The obligations to pay Rent and all other obligations under the 2021A Lease are subject to both appropriation by the General Assembly in its sole discretion and annual allocation by the Transportation Commission in its sole discretion, and shall not be deemed or construed as creating an indebtedness of the State or CDOT 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 or CDOT 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 2021A Lease provides that to the extent the Act is changed at any time to increase the maximum total amounts of annual lease payments during any fiscal year under the Leases or change the amounts allocated between the State General Fund and CDOT, such increase and new allocation amounts under the provisions of the Act will take effect without any further action by the State or the Trustee. **ACCORDINGLY, INVESTORS SHOULD NOT RELY ON ANY SPECIFIC ALLOCATION OF THE GENERAL FUND OR STATE HIGHWAY FUND AS SOURCES OF FUNDS FOR ANY ANNUAL APPROPRIATION OR ALLOCATION BY THE GENERAL ASSEMBLY OR THE TRANSPORTATION COMMISSION, RESPECTIVELY. SUCH ALLOCATIONS COULD CHANGE AT ANY TIME WHILE THE SERIES 2021A CERTIFICATES ARE OUTSTANDING.**

**Certain Risks to Owners of the Series 2021A Certificates**

Certain factors described in this Official Statement could affect the payment of Base Rent under the 2021A Lease, the value of the Leased Property and the market price of the Series 2021A 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 2021A Certificates, the State will execute a Continuing Disclosure Undertaking in which it will agree, for the benefit of the owners of the Series 2021A 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 by Development Research Partners for use by the State. See **Appendix I** – "CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION." **It is important to note that the information in Appendix I, such as employment figures, has changed materially since the date of such information.** Development Research Partners, Inc. has consented to the inclusion of such information in this Official Statement. The State does not assume responsibility for the accuracy, completeness or fairness of such information. The information in such Appendix has been included in the Official Statement in reliance upon the authority of Development Research Partners, Inc. as experts in the preparation of economic and demographic analyses. Potential investors should read such Appendix 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 may be obtained during the offering period, upon request to the Underwriters at J.P. Morgan, as Representative of the Underwriters, 1445 16th Street, Floor Four, Denver, Colorado 80202, Attention: Public Finance Department, telephone number: (303) 244-3384.

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 and the purchasers or holders of any of the Series 2021A Certificates.

## PLAN OF FINANCING

### The Program

The Series 2021A Certificates are being delivered pursuant to the Indenture and under authority granted by the Act (the "**Program**"). The Act authorizes the State Treasurer to enter into Leases for Projects approved by the State, provided that the maximum total amount of annual lease payments payable by the State during any Fiscal Year under all Leases is less than the maximum amount allowed by the Act. See "INTRODUCTION – Authority for Delivery" and "BASE RENT" herein.

Each Series of Certificates evidence undivided interests in the right to receive certain payments by the State under the Leases. The following table sets forth the aggregate principal amount of Certificates to be outstanding after the execution and delivery of the Series 2021A Certificates.

**Certificates to be Outstanding upon the Execution and Delivery of the Series 2021A Certificates**

| Series | Principal Amount Outstanding |
|---|---|
| Series 2018A Certificates | $445,995,000 |
| Series 2020A Certificates | 485,630,000 |
| Series 2021A Certificates | 500,000,000 |
| **Total Certificates** | $1,431,625,000 |

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 2021A Certificates – Additional Series of Certificates." The State could choose to fund future projects under the Program 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 Certificates. The execution and delivery by the State of future leases or an amendment to the 2021A Lease for additional Projects, would require certain conditions described herein under "INTRODUCTION – Authority for Delivery" to occur or additional authorization from the General Assembly.

**Sources and Uses of Funds**

The sources and uses of funds relating to the Series 2021A Certificates are set forth in the following table.

| | Series 2021A Certificates |
|---|---|
| SOURCES OF FUNDS: | |
| Par amount | $500,000,000 |
| Premium | 122,697,776 |
| TOTAL SOURCES OF FUNDS | $622,697,776 |
| USES OF FUNDS | |
| Deposit to Series 2021A Project Account | $620,559,398 |
| For costs of issuance, including Underwriters' discount[1] | 2,138,378 |
| TOTAL USES OF FUNDS | $622,697,776 |

[1] Such amount (other than the Underwriters' discount) shall be deposited to the Costs of Issuance Account and shall be used to pay costs of issuance including legal fees, rating agencies fees, printing costs and municipal advisors' fees and a deposit to the State Expense Fund. For information concerning the Underwriters' discount, see "UNDERWRITING."

**The Series 2021A Projects**

The Act was designed to fund necessary high-priority State Highway and Transit Projects and State Capital Construction Projects throughout Colorado. The State and CDOT have inventoried and prioritized State Capital Construction Projects and State Highway and Transit Projects in order to determine which projects will be funded with the proceeds of the Series 2021A Certificates.

## THE SERIES 2021A CERTIFICATES

**Generally**

General information describing the Series 2021A 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 Master Indenture, the 2021A Supplemental Indenture, the 2021A Lease and the 2021 Site Lease all as attached hereto in **Appendix B** hereto.

The Series 2021A Certificates will be dated as of the date of their delivery and will mature and bear interest (calculated based on a 360-day year of twelve 30-day months) payable on December 15, 2021, and semi-annually thereafter on June 15 and December 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 2021A Certificates at the office of the Trustee. The Series 2021A Certificates will be executed and delivered as fully registered certificates in the denomination of $5,000 or any integral multiple thereof.

**Book-Entry System**

The Series 2021A Certificates will be in fully registered form (i.e., registered as to payment of both principal and interest) and will be registered initially in the name of Cede & Co., as nominee of DTC, which will serve as securities depository for the Series 2021A Certificates. Beneficial Ownership

Interests in the Series 2021A Certificates, in non-certificated book-entry only form, may be purchased in authorized denominations of $5,000 or any integral multiple thereof by or through DTC Participants. Beneficial Ownership Interests will be recorded in the name of the Beneficial Owners on the books of the DTC Participants from whom they are acquired, and transfers of such Beneficial Ownership Interests will be accomplished by entries made on the books of the DTC Participants acting on behalf of the Beneficial Owners. References herein to the Owners of the Certificates mean Cede & Co. or such other nominee as may be designated by DTC, and not the Beneficial Owners. For a more detailed description of the DTC book-entry system, see **Appendix K** – "DTC BOOK-ENTRY SYSTEM."

Principal and interest payments with respect to the Series 2021A Certificates will be payable by the Trustee, as paying agent for the Series 2021A Certificates, to Cede & Co., as the Owner of the Series 2021A Certificates, for subsequent credit to the accounts of the Beneficial Owners as discussed in **Appendix K** – "DTC BOOK-ENTRY SYSTEM."

*None of the Trustee, the State or the Underwriters has any responsibility or obligation to any Beneficial Owner with respect to (1) the accuracy of any records maintained by DTC or any DTC Participant, (2) the distribution by DTC or any DTC Participant of any notice that is permitted or required to be given to the Owners of the Series 2021A Certificates under the Indenture, (3) the payment by DTC or any DTC Participant of any amount received under the Indenture with respect to the Series 2021A Certificates, (4) any consent given or other action taken by DTC or its nominee as the Owner of the Series 2021A Certificates or (5) any other related matter.*

## Redemption

### *Optional Redemption*

The Series 2021A Certificates 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 December 15, 2031, at a redemption price equal to the principal amount of the Series 2021A Certificates to be redeemed (with no premium), plus accrued interest to the redemption date.

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

The Series 2021A Certificates and all other outstanding Certificates shall be redeemed in whole, on such date(s) 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 the 2021A Lease, at a redemption price equal to the lesser of: (i) the principal amount of the Series 2021A Certificates and all other outstanding 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 2021A Lease with respect to the Event of Nonappropriation or the occurrence and continuation of the Event of Default under the 2021A 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 2021A Certificates and all other outstanding 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 the 2021A Lease, which amounts shall be allocated among the Series 2021A 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 the 2021A Lease in proportion to the principal amount of each such Certificate. The payment of such redemption price of any Certificate pursuant to the related supplemental indenture shall be deemed to be the payment in full of such Certificate, and no Owner of any Certificate redeemed pursuant to this redemption provision 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, promptly upon the occurrence of an Event of Nonappropriation or Event of Default under the 2021A Lease, notify the Owners of the 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 Certificates, the Trustee shall (a) promptly 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, (b) subject to the applicable provisions of the Indenture, promptly begin to exercise and diligently pursue all remedies available to it under the 2021A Lease in connection with such Event of Nonappropriation or Event of Default and (c) pay the remainder of the redemption price, if any, if and when funds become available to the Trustee from the exercise of such remedies.

***Notice of Redemption***

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. 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 money sufficient to redeem all the Certificates called for redemption, which money are or will be available for redemption of Certificates, such notice will state that it is conditional upon the deposit of the redemption money with the Trustee not later than the redemption date, and such notice shall be of no effect unless such money 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 2021A Certificates called for redemption. The Trustee is required to pay to the Owners of Series 2021A Certificates so redeemed, the amounts due on the Series 2021A Certificates at the Operation Center of the Trustee upon presentation and surrender of the Series 2021A Certificates.

## BASE RENT AND SERIES 2021A CERTIFICATES PAYMENT SCHEDULE

The following table sets forth the State's Base Rent obligations in connection with the 2021A Lease (which also constitutes the payment schedule for the Series 2021A Certificates), as well as the State's aggregate Base Rent obligations in connection with the Prior Certificates to be outstanding following the execution and delivery of the Series 2021A Certificates, assuming that all Leases are renewed by the State for the full Lease Term and that there is no prior redemption or defeasance of Certificates other than mandatory sinking fund redemptions.

**Base Rent Obligations**
**(Totals may not add due to rounding)**

| | Base Rent Series 2021A Certificates | | Prior Certificates | Total Net |
|---|---|---|---|---|
| Fiscal Year (June 30) | Principal Component[1] | Interest Component[1] | Total Base Rent | Base Rent for All Certificates |
| 2021 | -- | -- | $74,990,840.14 | $74,990,840.14 |
| 2022 | $14,370,000.00 | $23,123,327.64 | 74,993,812.50 | 112,487,140.14 |
| 2023 | 15,950,000.00 | 21,546,900.00 | 74,991,812.50 | 112,488,712.50 |
| 2024 | 16,765,000.00 | 20,729,025.00 | 74,992,562.50 | 112,486,587.50 |
| 2025 | 17,625,000.00 | 19,869,275.00 | 74,991,562.50 | 112,485,837.50 |
| 2026 | 18,530,000.00 | 18,965,400.00 | 74,994,062.50 | 112,489,462.50 |
| 2027 | 19,480,000.00 | 18,015,150.00 | 74,995,062.50 | 112,490,212.50 |
| 2028 | 20,480,000.00 | 17,016,150.00 | 74,994,437.50 | 112,490,587.50 |
| 2029 | 21,530,000.00 | 15,965,900.00 | 74,991,812.50 | 112,487,712.50 |
| 2030 | 22,635,000.00 | 14,861,775.00 | 74,991,437.50 | 112,488,212.50 |
| 2031 | 23,795,000.00 | 13,701,025.00 | 74,994,187.50 | 112,490,212.50 |
| 2032 | 25,015,000.00 | 12,480,775.00 | 74,991,812.50 | 112,487,587.50 |
| 2033 | 26,295,000.00 | 11,198,025.00 | 74,993,531.25 | 112,486,556.25 |
| 2034 | 27,645,000.00 | 9,849,525.00 | 74,991,725.00 | 112,486,250.00 |
| 2035 | 29,065,000.00 | 8,431,775.00 | 74,997,100.00 | 112,493,875.00 |
| 2036 | 30,400,000.00 | 7,097,150.00 | 74,994,650.00 | 112,491,800.00 |
| 2037 | 31,640,000.00 | 5,856,350.00 | 74,992,250.00 | 112,488,600.00 |
| 2038 | 32,765,000.00 | 4,732,075.00 | 74,996,200.00 | 112,493,275.00 |
| 2039 | 33,935,000.00 | 3,561,900.00 | 37,496,800.00 | 74,993,700.00 |
| 2040 | 35,320,000.00 | 2,176,800.00 | 37,495,200.00 | 74,992,000.00 |
| 2041 | 36,760,000.00 | 735,200.00 | -- | 37,495,200.00 |
| | $500,000,000.00 | $249,913,502.64 | $1,424,870,858.89 | $2,174,784,361.53 |

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[1] There will be credited against the amount of Base Rent otherwise payable under the related 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.

## SECURITY AND SOURCES OF PAYMENT

### Payments by the State

Each Series 2021A Certificate evidences undivided interests in the right to receive Lease Revenues pursuant to the 2021A Lease, including: (i) the Base Rent; (ii) 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); (iii) earnings on money 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 (iv) any other money to which the Trustee may be entitled for the benefit of the Owners. All payment obligations of the State under the 2021A Lease, including but not limited to payment of Base Rent, are from year to year only and do not constitute a mandatory obligation 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 2021A Lease 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 the 2021A Lease or any related document or instrument; provided that such person is acting within the scope of his or her employment, membership, directorship office, 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 2021A Lease attached hereto in **Appendix B**, following an Event of Nonappropriation, the Lease Term of the 2021A 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 State Highway Fund or General Fund. There is no obligation of either the Transportation Commission to allocate State Highway Fund revenues or the State to appropriate General Fund revenues for purposes of paying Base Rent or Additional Rent under the 2021A Lease. See "STATE FINANCIAL INFORMATION," "COLORADO DEPARTMENT OF TRANSPORTATION FINANCIAL INFORMATION" and **Appendices A, E, F, G, I and J** hereto.

PAYMENT OF RENT AND ALL OTHER PAYMENTS UNDER THE 2021A Lease CONSTITUTE CURRENTLY APPROPRIATED EXPENDITURES OF THE STATE OR CURRENTLY ALLOCATED EXPENDITURES OF THE TRANSPORTATION COMMISSION AND MAY BE PAID SOLELY FROM LEGALLY AVAILABLE MONEY IN THE STATE HIGHWAY FUND OR THE GENERAL FUND OR OTHER LEGALLY AVAILABLE SOURCES. THE OBLIGATIONS TO PAY RENT AND ALL OTHER OBLIGATIONS UNDER THE 2021A Lease ARE SUBJECT TO BOTH ANNUAL APPROPRIATION BY THE GENERAL ASSEMBLY IN ITS SOLE DISCRETION AND ANNUAL ALLOCATION BY THE TRANSPORTATION COMMISSION IN ITS SOLE DISCRETION, AND SHALL NOT BE DEEMED OR CONSTRUED AS CREATING AN INDEBTEDNESS OF THE STATE OR CDOT 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 OR CDOT 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 – OPTION TO RENEW THE LEASES ANNUALLY."

Both the State and the Transportation Commission have already appropriated or allocated sufficient funds from the General Fund and State Highway Fund to pay (i) the Base Rent payable in Fiscal Year 2020-21, and (ii) the Additional Rent estimated to be payable in such Fiscal Year to the extent the State does not expect to pay such amount from the State Expense Fund.

The 2021A Lease provides that to the extent the Act is changed at any time to increase the maximum total amounts of annual lease payments during any fiscal year under the Leases or change the amounts allocated between the State General Fund and CDOT, such increase and new allocation amounts under the provisions of the Act will take effect without any further action by the State or the Trustee. **ACCORDINGLY, INVESTORS SHOULD NOT RELY ON ANY SPECIFIC ALLOCATION OF THE GENERAL FUND OR STATE HIGHWAY FUND AS SOURCES OF FUNDS FOR ANY ANNUAL APPROPRIATION OR ALLOCATION BY THE GENERAL ASSEMBLY OR THE TRANSPORTATION COMMISSION, RESPECTIVELY. SUCH ALLOCATIONS COULD CHANGE AT ANY TIME WHILE THE SERIES 2021A CERTIFICATES ARE OUTSTANDING.**

**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 and CDOT have appropriated, allocated 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 Master Indenture, the 2021A Supplemental Indenture, the 2021A Lease and the 2021 Site Lease.

**Nonrenewal of the Lease Term**

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 would mean the loss of the use by the State of all of the Leased Property (including the 2021A Leased Property). However, the Indenture and the 2021A Lease permit the State to purchase the 2021A Leased Property in connection with the defeasance of all of the Series 2021A Certificates, as described in "THE SERIES 2021A CERTIFICATES – State's Purchase Option Price."

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 related Leased Property, the State is 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 2021A 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."

The Leases place 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, such 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 the Leases. All property, funds and rights acquired by the Trustee upon the nonrenewal of the Leases, along with other money then held by the Trustee under the Indenture (with certain exceptions and subject to certain priorities as provided in the Leases and the Indenture), are required to be used to redeem the related Certificates, if and to the extent any such money are realized. See "CERTAIN RISK FACTORS."

**The Leased Property**

***Generally***

Pursuant to the Act, the Colorado State Architect, the Director of the Office of State Planning and Budgeting and designated State institutions of higher education have prepared a collaborative list of eligible State facilities that could be collateralized as part of the Leases for State Capital Construction Projects and State Highway and Transit Projects. The 2021A Leased Property has been selected from such list and consists of approximately 133 buildings and facilities located throughout Colorado in five different locations. The 2021A Leased Property has a current replacement value of $414,218,134. Prior to the issuance of the Series 2021A Certificates, the State is required to certify and is expected to certify to the Trustee that the Fair Market Value of the Leased Property allocated to the Prior Certificates and Series 2021A Certificates is at least equal to 90% of the aggregate principal amount of the Prior Certificates and Series 2021A Certificates. See "THE SERIES 2021A CERTIFICATES – Additional Series of Certificates." See **Appendix H** – "LEASED PROPERTY RELATING TO THE CERTIFICATES" for a description of the 2021A Leased Property subject to the 2021 Site Lease between the Trustee and the State.

The Leased Property consists of the property leased by the Trustee to the State pursuant to each of the Leases. As described above, the State is not permitted to renew any Lease (including the 2021A Lease) with respect to less than all of the Leased Property (including the 2021A 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 2021A Leased Property) for the State unless the purchase option for all of the Leased Property has been exercised by the State. See "THE SERIES 2021A CERTIFICATES – State's Purchase Option Price." The State may make substitutions, of Leased Property in accordance with the terms of the related Leases as described in "Substitution of Leased Property" under this caption. **Owners of the Series 2021A 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 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.**

***State's Purchase Option***

The Leases grant the State the option to purchase all, but not less than all, of the related Leased Property in connection with the defeasance of all the related Certificates by paying to the Trustee the

"State's Purchase Option Price," subject to compliance with all conditions to the defeasance of the related 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 related Leased Property as described in this paragraph, the "State's Purchase Option Price" is an amount sufficient (i) to defease all the related Certificates in accordance with the defeasance provisions of the Indenture and (ii) to pay all Additional Rent payable through the date on which the related 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 related Leased Property and the payment, redemption or defeasance of the Outstanding related Certificates; provided, however, that (A) the State's Purchase Option Price shall be reduced by the money, 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 related Certificates, and (B) if any related 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 related Certificates shall be substituted for the related 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 related 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 related 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.

#### *Substitution of Leased Property*

The State is permitted under each Lease to substitute other property for certain 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 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 8.04 of the 2021A Lease.

#### *Insurance*

The Leased Property is required to be insured by the State 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 Lease "- Damage, Destruction and Condemnation," in **Appendix B**.

### 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 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 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 all Leased Property including that Leased Property added pursuant to a new Supplemental Indenture is at least equal to 90% of the principal amount of all Outstanding Certificates, including the Certificates to be issued pursuant to the Supplemental Indenture; and (b) no Event of Default or Event of Nonappropriation exists under any Lease.

(v) 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, 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.

(vi) 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 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 (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 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.

## CERTAIN RISK FACTORS

THE PURCHASE AND OWNERSHIP OF THE SERIES 2021A CERTIFICATES ARE SUBJECT TO CERTAIN RISKS. EACH PROSPECTIVE INVESTOR IN THE SERIES 2021A 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 2021A CERTIFICATES AND COULD ALSO AFFECT THE MARKET PRICE OF THE SERIES 2021A 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 2021A Lease) does not constitute an obligation of the State or CDOT to apply their respective general resources beyond the current fiscal year. The State is not obligated to pay Base Rent or Additional Rent under the Leases unless each year funds are appropriated by the Colorado General Assembly and allocated by the Transportation Commission, notwithstanding the fact that sufficient funds may or may not be available for transfer from any other source. If, on or before June 30 of each Fiscal Year, the Colorado General Assembly and the Transportation Commission do not specifically appropriate or allocate 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 2021A Lease), the Lease Term of the Leases 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 and the Transportation Commission have appropriated, allocated 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, allocation or authorization. See the form of 2021A Lease "– Event of Nonappropriation," in **Appendix B**.

The 2021A Lease provides that to the extent the Act is changed at any time to increase the maximum total amounts of annual lease payments during any fiscal year under the Leases or change the amounts allocated between the State General Fund and CDOT, such increase and new allocation amounts under the provisions of the Act will take effect without any further action by the State or the Trustee. **ACCORDINGLY, INVESTORS SHOULD NOT RELY ON ANY SPECIFIC ALLOCATION OF THE GENERAL FUND OR STATE HIGHWAY FUND AS SOURCES OF FUNDS FOR ANY ANNUAL APPROPRIATION OR ALLOCATION BY THE GENERAL ASSEMBLY OR THE TRANSPORTATION COMMISSION, RESPECTIVELY. SUCH ALLOCATIONS COULD CHANGE AT ANY TIME WHILE THE SERIES 2021A CERTIFICATES ARE OUTSTANDING.**

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) if the State does not renew the Leases on an annual basis and therefore terminates all of its obligations under the Leases. 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 or allocation of funds may be affected by the continuing need of the State for the Leased Property (including the 2021A Leased Property). In addition, the ability of the State and CDOT to maintain adequate revenues for their respective operations and obligations in general (including obligations associated with the 2021A Lease) is dependent upon several factors outside the State's or CDOT's control, such as the economy, legislative changes and federal funding. Restrictions imposed under the State Constitution on the State's and CDOT'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 and CDOT to appropriate or allocate sufficient funds to pay Base Rent and Additional Rent each year. See "SECURITY AND SOURCES OF PAYMENT," "STATE FINANCIAL INFORMATION," "COLORADO DEPARTMENT OF TRANSPORTATION FINANCIAL INFORMATION" and **Appendices A, E, F, G, I and J** hereto.

Payment of the principal of and interest, if any, on the Series 2021A 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 a Lease" 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 2021A Lease) would mean the loss of the use of all of the Leased Property by the State. 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. 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 money 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 money are realized. See the form of 2021A Lease – "Events of Default" and "– Remedies on Default" in **Appendix B** and "THE SERIES 2021A CERTIFICATES – Redemption – Extraordinary Redemption."

The money 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 2021A Certificate) will have any further claims for payment upon the State, CDOT or the Trustee. Further, owners of Series 2021A Certificates who purchase such Certificates at a premium should be aware that the unamortized premium of such Series 2021A Certificates are not payable under the Indenture in the event of an extraordinary redemption due to an Event of Nonappropriation or an Event of Default.

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

A potential purchaser of the Series 2021A 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 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."

The value of the Leased Property could also be adversely affected by the presence, or even by the alleged presence of, hazardous substances. **As reflected in the footnotes to Appendix H, environmental site assessments ("ESAs") have been prepared in connection with certain properties included as Leased Property. Copies of the ESAs are available upon request by contacting LoriAnn Knutson or Xan Serocki in the Office of the Colorado Attorney General at LoriAnn.Knutson@coag.gov or Xan.Serocki@coag.gov.**

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 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."

The Trustee may only be able to lease certain Leased Property to a lessee that will continue to use it for certain restricted 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 2021A Certificates by the State or the Trustee.

Payment of the principal of and interest on the Series 2021A Certificates and the Prior Certificates is paid from the State's payment of the Base Rent and other sources identified in "SECURITY AND SOURCES OF PAYMENT," which sources do not include any payments generated from the Leased Property, other than the Base Rent. The State is not permitted to renew the Leases or any of them (including the 2021A Lease) with respect to less than all of the Leased Property. Accordingly, a decision not to renew any Lease would mean the loss of use by the State of all of the Leased Property. Investors should be aware that value of the Leased Property could be affected if there are design or construction defects in any of the buildings subject to a Lease.

**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 State. 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 2021A Certificates except from funds otherwise available to the Trustee under the Indenture. See "SECURITY AND SOURCES OF PAYMENT."

**Effects on the Series 2021A 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 2021A Lease under certain circumstances as provided in the 2021A Lease upon the treatment for federal or State income tax purposes of any money received by the Owners of the Series 2021A Certificates, subsequent to such termination. See "TAX MATTERS." If the 2021A 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 2021A Certificates will be transferable without registration, or a transactional exemption from registration, under the federal securities law following the termination of the 2021A Lease.

**If Litigation Challenging SB 17-267 is Successful, Payments under the Series 2021A Certificates May be Suspended or Terminated**

For a description of certain pending litigation (referred to herein as the "**TABOR Foundation Case**") with respect to SB 17-267, see "LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE – Litigation with Respect to SB 17-267." Notwithstanding such litigation, Greenberg Traurig, LLP will deliver a written legal opinion at the time of issuance of the Series 2021A Certificates (the "**Bond Counsel Opinion**") that the State's obligations under the 2021A Lease are valid, binding and enforceable against the State in accordance with its terms. See **Appendix D** – "FORM OF BOND COUNSEL OPINION." The Bond Counsel Opinion does not explicitly express any opinion with respect to the merits of the TABOR Foundation Case or the potential outcome of the TABOR Foundation Case.

Bond Counsel will also deliver to the State at the time of issuance of the Series 2021A Certificates a written legal opinion ("**Litigation Opinion**") to the effect that (i) the 2021A Lease is conclusively presumed to be fully authorized, executed and delivered under the Act and the laws of the State and that the Series 2021A Certificates are conclusively presumed to be fully authorized and issued under the Act and the laws of the State and any person (including the State) is estopped from questioning their validity, execution or delivery, and (ii) a finding of unconstitutionality of the Act by a court of competent jurisdiction would not affect the validity of the Series 2021A Certificates, the 2021A Lease and validity of the sources of payment and security for the Series 2021A Certificates, if a court were properly presented with the facts and properly applied current applicable law. Investors should be aware that the neither the Bond Counsel Opinion nor the Litigation Opinion constitutes a guaranty of what a court would hold. It is possible that a court could declare some or all of SB 17-267 to be unconstitutional, which could have a negative effect on the validity of the 2021A Lease and security for the Series 2021A Certificates and could result in the holders of the Series 2021A Certificates not being paid.

The 2021A Lease provides that if any portion of the Act affecting the validity or enforceability of the 2021 Site Lease or the 2021A Lease, or the source of payment for principal of and interest on the Series 2021A Certificates is held by the highest court of competent jurisdiction in an order which has not been stayed, to be unconstitutional or otherwise invalid, the State will use its best efforts to request legislation to be introduced in the General Assembly, which legislation would reauthorize the provisions of the Act which were determined to be unconstitutional or invalid in a manner which would cause the 2021 Site Lease and the 2021A Lease to remain valid and enforceable, and for the principal of and interest on the Series 2021A Certificates to be payable. There can be no assurance that the General Assembly would take action to pass legislation that would cause the 2021A Lease to remain valid, binding and enforceable against the State and the Series 2021A Certificates to be entitled to the sources of payment and security therefor.

Initially, the State engaged two other bond counsel firms to serve as co-bond counsel in connection with the planned issuance of the Series 2018 Certificates. After initial review, including review of the TABOR Foundation Case, the parties decided not to proceed with that representation and the engagement was then mutually terminated by the State and the firms. The State then engaged Greenberg Traurig, LLP to serve as Bond Counsel.

The State is vigorously defending the suit and believes it has a reasonable possibility of favorable outcome against the Plaintiffs' claims in the TABOR Foundation Case, but the ultimate outcome cannot presently be predicted. As further described herein under "LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE – Litigation with Respect to SB 17-267," the Denver District Court has issued a decision in the TABOR Foundation Case holding, among other things, that SB 17-267 did not violate the constitutional single-subject requirements. The District Court's decision was appealed to the Colorado Court of Appeals. On November 5, 2020, the Colorado Court of Appeals affirmed the District Court's dismissal of the case, but on the basis that none of the Plaintiffs have standing to bring their claims. The Plaintiffs have filed a Petition for Writ of Certiorari to the Colorado Supreme Court seeking review of the Colorado Court of Appeals decision. The Petition for Writ of Certiorari is now awaiting a decision from the Colorado Supreme Court. **The Colorado Supreme Court is not required to accept the case for review and if it does accept it for review, it is not required to defer to, or follow, the legal analysis of either the District Court or Colorado Court of Appeals in this case.**

**Insurance of the Leased Property**

The 2021 Site Lease requires that the State shall pay as Additional Rent, all of the expenses with respect to casualty and property damage insurance with respect to the Leased Property in an amount equal to the current replacement value of the Leased Property. The 2021 Site Lease also requires that the State 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 State in connection with the Leased Property subject to 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 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 and to have such required insurance provided under blanket insurance policies or through the State's risk management program. See "LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE – 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, money made available by reason of any such occurrence will be sufficient to redeem the Series 2021A Certificates at a price equal to the principal amount thereof outstanding. See "THE SERIES 2021A CERTIFICATES – Redemption."

**State Budgets and Revenue Forecasts**

The State Constitution requires that expenditures for any such Fiscal Year not exceed revenues for such Fiscal Year. In addition, Section 24-75-201.1(1)(d), C.R.S., provides that for each Fiscal Year, a portion of the unrestricted General Fund year-end balance is to be retained as a reserve (the "**Unappropriated Reserve**"), and Section 24-75-201.1, C.R.S., provides that General Fund appropriations for each Fiscal Year, with certain exceptions, may not exceed specified amounts, as discussed in "STATE FINANCIAL INFORMATION – Budget Process and other Considerations – *Revenues and Unappropriated Amounts – Expenditures; The Balanced Budget and Statutory Spending Limitation*."

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. The most recent OSPB revenue forecast was issued on March 19, 2021 (the "**OSPB March 2021 Revenue Forecast**") and is included in this Official Statement. See "STATE FINANCIAL INFORMATION" and **Appendix G** – "OSPB MARCH 2021 REVENUE FORECAST." The next OSPB revenue forecast will be released in June 2021. Due in part to the fact that the ever-evolving impact of COVID-19 has made forecasting more difficult, General Fund revenue projections in the new forecast may be materially different from the OSPB March 2021 Revenue 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 any forecasted years which would result in a budgetary shortfall, budget cuts will be necessary to ensure the balanced budget. See "CERTAIN RISK FACTORS" and **Appendix E** – "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 also "Cautionary Statement Regarding Projections, Estimates and Other Forward-Looking Statements in this Official Statement" at the beginning of this Official Statement.

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."

### Impact of COVID-19 (Coronavirus)

#### *General*

The spread of a novel strain of coronavirus called COVID-19 is currently altering the behavior of businesses and people in a manner that is having significant negative effects on global, national, state, and local economies, including the economy of Colorado. Throughout the nation, including Colorado, state and local governments and public health entities have issued orders, made recommendations and implemented various measures intended to mitigate the effects of the pandemic, prevent further spread and protect against overwhelming health care resources, while also attempting to minimize the economic impact of the pandemic and the public health response thereto on individuals, businesses and governmental entities. So called "safer at home" or "stay at home" public health orders implemented throughout the nation, including Colorado, have either required or resulted in the closure or limited operation of many businesses and limited physical contact. These COVID-19 measures are changing rapidly.

#### *State's Actions*

Beginning in March 2020, Colorado Governor Polis has issued numerous public health orders pertaining to COVID-19. Certain material orders are described below. The CDPHE provides information related to COVID-19 and related developments in the State of Colorado on its website, covid19.colorado.gov. Reference to such website is presented herein for informational purposes only and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

The primary public health order of the Governor is Executive Order D 2020 235, issued October 30, 2020, as amended and extended by additional Executive Orders issued by the Governor (the **"COVID-19 Dial Framework Order"**) that expired on April 16, 2021 and provided directives for implementation of a framework (the **"COVID-19 Dial Framework"**), including a directive to the CDPHE to issue a public health order that reflects the complete Dial framework, that are intended to harmonize the prior shelter-in-place directives into a simplified framework referred to as the **"Dial."** The original COVID-19 Dial Framework Order recognized unique local circumstances and used a five-level dial to visualize a community's success in containing the spread of COVID-19. Pursuant to the original COVID-19 Dial Framework Order, each county was assigned one of the six levels represented on the Dial (Level Green—Protect Our Neighbors; Level Blue—Cautious, Safer at Home; Level Yellow—Concern; Level Orange—High Risk; Level Red—Severe Risk; and Level Purple—Extreme Risk) ranging from least restrictive to most restrictive and defined by objective scientific metrics such as the number of new cases, percent positivity of COVID-19 tests and hospitalizations. Based on these metrics, the Dial assigned certain limitations and restrictions to contain the virus, including capacity limitations. A county could move between Dial levels based on the metrics and in consultation with State and local public health officials to ensure unique local conditions are appropriately considered, and may be removed from the restriction of the Dial framework entirely in the event of a major reduction in transmission or risk, in which case it would no longer be subject to the COVID-19 Dial Framework Order and corresponding public health orders. Any county having a status level of Blue or Yellow could apply for a local site-specific variance of the COVID-19 Dial Framework Order. The COVID-19 Dial Framework Order and related CDPHE public health orders did not restrict a county or municipality from adopting more protective standards than those contained in such public health orders as necessary.

Effective April 16, 2021, the COVID-19 Framework evolved into Public Health Order 20-38 which allows counties to implement regulations at the local level while still maintaining some limited requirements across the State, including requirements pertaining to skilled nursing facilities, face coverings and mass indoor gatherings. Counties may use the COVID-19 Dial Framework Order as a model for implementing their own regulations. Public Health Order 20-38 will expire after thirty days from its effective date unless extended, rescinded or amended in writing.

***Financial Impact***

On March 11, 2020, the Governor issued Executive Order D 2020 003 (which has been amended and extended by subsequent Executive Orders) declaring a disaster emergency pursuant to the Colorado Disaster Emergency Act (Section 24-33.5-701, *et seq.,* C.R.S.), thereby triggering certain provisions under State law, including the use of the emergency reserve mandated by the Taxpayer's Bill of Rights or "TABOR." These Executive Orders also directed the use of various State funds for disaster emergency response purposes. On March 25, 2020, the Governor also requested the President of the United States to declare a major disaster for the State pursuant to the federal Stafford Disaster Relief and Emergency Assistance Act (HR 2707), which request was approved on March 28, 2020. The OSPB subsequently provided guidance to departments and agencies of the State regarding fiscal conservation to reduce the use of State resources for non-emergency purposes, and on April 30, 2020, in accordance with Section 24-75-201.5, C.R.S., the Governor issued Executive Order D 2020 050 (which was subsequently rescinded as discussed below) in anticipation that the interim revenue forecast that was to be released by the OSPB on May 12, 2020 (the "**OSPB May 2020 Revenue Forecast**"), would show rapidly declining revenues and that appropriated spending would result in the use of one-half or more of the required Unappropriated Reserve for Fiscal Year 2019-20. Such Executive Order (i) declared that there are not sufficient revenues available for expenditure during Fiscal Year 2019-20 to carry on the functions of the

State government and to support its agencies and institutions such that the suspension of portions of programs and services set forth out in the Executive Order are necessary, (ii) directed the Director of the OSPB to submit in writing to the Joint Budget Committee of the General Assembly (the "JBC"), and to the members of the General Assembly the contents of such Executive Order for reducing such General Fund expenditures by $228.7 million in an attempt to maintain the required Fiscal Year 2019-20 Unappropriated Reserve, and (iii) directed the suspension or discontinuance of portions of programs and services as specified therein through the end of Fiscal Year 2019-20. See "APPENDIX E – THE STATE GENERAL FUND – General Fund Revenue Sources – General Fund Overview – Revenue Shortfalls" and "APPENDIX G – OSPB MARCH 2021 REVENUE FORECAST." Executive Order D 2020 050 was rescinded by Executive Order D 2020 113.

The State's unemployment rate increased from 2.5% in February 2020 to a peak of 12.2% in April 2020 primarily due to the impact of COVID-19 and has since declined to 6.4% in March 2021 as various employers in the State have re-opened. In addition, deadlines for filing federal and State income tax returns for 2019 were extended from April 15, 2020, to July 15, 2020, county treasurers were authorized to suspend or waive delinquent interest on delinquent property tax payments for 2020, and various filing and reporting deadlines in connection with the ad valorem property taxes were extended for 2020. On October 28, 2020, Governor Polis issued Executive Order D 2020 230, which directed the Unemployment Insurance Division to make one-time direct stimulus payments of $375 to all qualifying individuals. The payments were to be processed by December 4, 2020 from the various fund transfers, including a $168 million transfer from the State Disaster Emergency Fund. Further, on November 5, 2020, Governor Polis issued Executive Order D 2020 242, as extended and amended by subsequent Executive Orders, the most recent being D 2021 032 issued by the Governor on January 31, 2021 which extends the expedited unemployment insurance claim processing to provide relief to Coloradans affected by COVID-19. Recently, the State reported an increase in the number of fraudulent unemployment insurance claims and indicated that it would be providing further guidance on tax reporting and contesting misreported income.

COVID-19 had a negative impact on State revenues in Fiscal Year 2019-20 and is forecast to continue to do so in subsequent Fiscal Years. The State is also incurring significant expenses in health care costs related to COVID-19 attributable to, among other things, (i) expanded testing of vulnerable populations, (ii) scaling up epidemiology and contact tracing, (iii) increasing testing capacity at the Colorado State Lab, including new equipment, supplies and personnel, (iv) improving coordination to rapidly respond to and contain disease outbreaks; and (v) distributing the newly approved COVID-19 vaccines. The State relies on revenue estimation as the basis for budgeting and establishing aggregate funds available for expenditure in connection with its appropriation process. By statute, the OSPB is responsible for developing the General Fund revenue estimate. The most recent OSPB March 2021 Revenue Forecast entitled "Colorado Economic and Fiscal Outlook," was issued on March 19, 2021 and is included as Appendix F to this Official Statement. The OSPB March 2021 Revenue Forecast includes both a national and Colorado economic outlook, an outlook of revenue to the General Fund and the State's cash funds, an outlook of the State budget and an outlook of the revenues. The OSPB March 2021 Revenue Forecast in Appendix F explicitly incorporates the potential impact of COVID-19 in the assumptions used as the basis for its forecast and indicates that, due in large part to the impact of COVID-19, General Fund revenue in Fiscal Year 2020-21 are projected by the OSPB to increase only 0.3% from the prior year.

In an effort to reduce State expenses, on September 22, 2020, the Governor announced that, except for certain exempt employees, all State employees making $50,000 or more were required to take 1 to 4 furlough days before the end of 2020. The number of furlough days required to be taken by a State employee depended upon such employee's salary, with those employees with higher salaries being required to take more furlough days. The combined effect of the State's budget reduction measures and the increased General Fund Revenues forecast in the OSPB March 2021 Revenue Forecast will likely result in the State having revenues in excess of those in the Fiscal Year 2020-21 budget that by law, will roll forward to successive budget years. See Appendix E – "THE STATE GENERAL FUND." Investors are encouraged to review both Appendix E and Appendix G in their entirety.

The State's emergency funding plans have entailed progressively identifying funding by source. The Governor's office has formulated an emergency funding plan to cover the costs of its COVID-19 response, which entails progressively identifying funding by source. Agencies and the Governor's office have been identifying all available federal funds to cover the COVID-19 response, including, without limitation, funds provided by the Family First Coronavirus Response Act (HR 6201), the CARES Act (HR 748), the Paycheck Protection Program and Health Care Enhancement Act (HR 266) and the Consolidated Appropriations Act, 2021 (HR 133). In 2020, the State received approximately $2.9 billion in federal funds from such programs. The State managed its CARES Act proceeds by dividing the allocation to address medical and public health needs due to the COVID-19 pandemic, compliance with COVID-19 related public health measures for K-12 and higher education institutions, assistance for local governments, emergency rental and mortgage assistance to low and moderate income individuals, and second-order effects of COVID-19 emergency for at-risk pupils, and economic support. The State may receive an allocation of additional federal funds in 2021 through the American Rescue Plan Act, in an anticipated amount of $9.1 billion. The State plans to use the American Rescue Plan Act proceeds similar to the use of CARES Act funds. The deadline for spending the $9.1 billion is December 31, 2024 and the State intends to be thoughtful and deliberate in determining how to utilize the funds. For costs not able to be covered by federal funds, agencies and the Governor's office plan to use the State emergency funds. Finally, agencies have been working with the OSPB and the Joint Budget Committee to identify needs as part of the regular budget and planning process.

***Legislative Measures.***

The General Assembly took a variety of steps to reduce spending in Fiscal Year 2019-20 and Fiscal Year 2020-21 to develop a balanced budget for Fiscal Year 2020-21 based on the OSPB May 2020 Revenue Forecast. Due to concerns regarding the spread of COVID-19, the General Assembly suspended the 2020 regular legislative session from March 16, 2020, through May 25, 2020, although the Joint Budget Committee continued to work with the Governor's office during this period to reduce spending and balance the budget for Fiscal Year 2019-20. After reconvening on May 26, 2020, the General Assembly, based upon recommendations of the Joint Budget Committee and OSPB, adopted legislation to balance the budget for Fiscal Year 2019-20 and provide a balanced budget for Fiscal Year 2020-21, including a reduction in the Unappropriated Reserve requirement for Fiscal Years 2019-20, 2020-21 and 2021-22 and a suspension of the State's annual distribution to the Public Employee's Retirement Association (**"PERA"**) to fund unfunded actuarial accrued liabilities in the benefit plans administered by PERA for State employees Fiscal Year 2020-21. However, such legislation was based upon the OSPB May 2020 Revenue Forecast, and additional budget cuts and/or actions to increase the amount of money in the General Fund may be necessary to ensure a balanced budget for the Fiscal Year 2020-21 based upon the OSPB March 2021 Revenue Forecast and subsequent revenue forecasts. See also "CERTAIN RISK FACTORS – Budgets and Revenue Forecasts," "STATE FINANCIAL INFORMATION – State

Budget Process and Other Considerations," "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS – Pension and Other Post-Employment Benefits," "APPENDIX E – THE STATE GENERAL FUND," "APPENDIX G – OSPB MARCH 2021 REVENUE FORECAST" and "APPENDIX J – STATE PENSION SYSTEM."

The Governor called a special session of the General Assembly that convened November 30, 2020, to consider (a) direct support and emergency tax relief to small businesses impacted by the COVID-19 pandemic, (b) housing and rental assistance to individuals and residential property owners impacted by the COVID-19 pandemic through existing funding mechanisms, (c) support for existing and new child care providers impacted by the COVID-19 pandemic through existing funding mechanisms, (d) expanding broadband and Wi-Fi access for educational purposes, especially for P-12 students and educators impacted by the COVID-19 pandemic, (e) support for the existing food pantry assistance grant program within the Department of Human Services to aid Colorado food pantries and food banks in the purchase and allocation of food to serve those who have experienced financial hardship caused by the COVID-19 pandemic, (f) assistance for individuals unable to pay their utility bills due to financial hardship caused by the COVID-19 pandemic, and (g) appropriating funding to the Disaster Emergency Fund for public health expenses associated with the COVID-19 pandemic.

The Treasurer is closely monitoring the General Fund cash flows and will evaluate potential cash management options, as necessary. There can be no assurances that the fiscal stress and cash pressures currently facing the State will not continue or become more difficult.

The State cannot predict (i) the duration or extent of the COVID-19 pandemic; (ii) the duration or expansion of related business closings, public health orders, regulations and legislation; and (iii) the extent to which, or the negative effect the COVID-19 pandemic will continue to have on global, national and local economies, including whether a recession may be triggered. While it is too early to determine with any confidence the possible full extent of the effect of COVID-19 on the State, the General Fund or the State Highway Fund, such impact is expected to be significant and to have a material adverse effect on the State's and CDOT's finances. Accordingly, the impact of COVID-19 could have a negative effect on the ability of the General Assembly to make payments under the 2021A Lease.

**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 is not otherwise than in accordance with the provisions of the Indenture. See Section 7.06 of the form of Master Indenture attached in **Appendix B** hereto. The interests of Owners of the Series 2021A 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 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 will not have a material effect, directly or indirectly, on the affairs of the State and its funds. See "INTRODUCTION – Authority for Delivery – Potential Modification of Certain Provisions of SB 17-267."

**Cyber Security Risks**

The State, like other large public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private or sensitive information, the State is a potential target for a variety of cyber threats, including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the State's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. Recognizing the potential damage that could be caused by any such attacks, the State has established the Governor's Office of Information Technology ("**OIT**") as the single source for the State's cybersecurity readiness and awareness. The OIT has promulgated a series of policies and standards for State agencies and information security and provides mandatory training for State employees except those in the Department of Law, who receive training from the Department's own cybersecurity specialist due to the nature of the work performed by that Department. In addition, the State has procured insurance coverage for data breaches and other security and privacy incidents. On October 7, 2020, the Colorado Department of Personnel & Administration (**"DPA"**) became aware that a spreadsheet containing state employee personal information, including social security numbers, dates of birth, and other similar information, was inadvertently emailed to 38 benefit administrators at certain institutions of higher education. Upon learning this information, DPA requested the recipients delete the email and spreadsheet and confirm that they had done so. The email was delivered in encrypted fashion, so DPA believes the information was protected while in transit. DPA has stated that it has no evidence that employee information was misused or compromised in any fashion. Affected employees were notified and given information to take action to protect themselves against identity theft. In addition, employee computers at the Colorado Department of Transportation were the subject of a ransomware attack in February 2018. Nevertheless, no assurance can be given that the State's efforts to manage cyber threats and attacks will be successful or that any such attack will not materially impact the operations or finances of the State.

**Potential Limitation of Tax Exemption of Interest on Series 2021A Certificates**

From time to time, the President of the United States, the United States Congress and/or state legislatures have proposed and could propose in the future, legislation that, if enacted, could cause interest on the Series 2021A Certificates to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Clarifications of the Internal Revenue Code of 1986, as amended, or court decisions may also cause interest on the Series 2021A Certificates to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation. The introduction or enactment of any such legislative proposals or any clarification of the Internal Revenue Code of 1986, as amended, or court decisions may also affect the market price for, or marketability of, the Series 2021A Certificates. Prospective purchasers of the Series 2021A Certificates should consult their own tax advisors regarding any such pending or proposed federal or state tax legislation, regulations, or litigation, as to which Bond Counsel expresses no opinion. See "TAX MATTERS – Changes in Federal and State Tax Law."

**Secondary Market**

While the Underwriters expect, insofar as possible, to maintain a secondary market in the Series 2021A Certificates, no assurance can be given concerning the future existence of such a secondary market or its maintenance by the Underwriters or others, and prospective purchasers of the Series 2021A Certificates should therefore be prepared, if necessary, to hold their Series 2021A Certificates to maturity or prior redemption, if any.

## THE STATE

### 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 5.8 million. The State's major economic sectors include agriculture, professional and business services, 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 FOR THE FISCAL YEAR ENDED JUNE 30, 2020" and **Appendix I** – "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 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 2019 (following the general election held in November of 2018) and will expire on the second Tuesday in January of 2023. 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 money 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 investors to analyze the financial and overall status of the State, including the General Fund and State Highway 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 captioned "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS" 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, 2020," **Appendix E** – "THE STATE GENERAL FUND," and **Appendix G** – "OSPB MARCH 2021 REVENUE FORECAST," **Appendix I** – "CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION" and **Appendix J** – "STATE PENSION SYSTEM." With the exception of the State economic and demographic information, which has been provided by Development Research Partners, Inc., the information in these sections and appendices has been provided by the State. Unless otherwise noted, historical financial, economic and demographic data contained herein does not reflect the impact of COVID-19.

**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 money 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 money in the manner prescribed by law. Every officer, department, institution and agency of the State (except for certain institutions of higher education) tasked 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 money accruing to the State from any source is required to transmit those money 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 money to deposit such money to a depository to the State Treasurer's credit in lieu of transmitting such money to the State Treasury.

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

**Taxpayer's Bill of Rights**

***General***. Article X, Section 20 of the State Constitution, entitled the Taxpayer's Bill of Rights and commonly known as "TABOR," imposes various fiscal limits and requirements on the State and its local governments, excluding "enterprises," which are defined in TABOR as government-owned businesses authorized to issue their own revenue bonds and receiving less than 10% of their annual revenues in grants from all State and local governments combined. Certain limitations contained in TABOR may be exceeded with prior voter approval.

TABOR provides a limitation on the amount of revenue that may be kept by the State in any particular Fiscal Year, regardless of whether that revenue is actually spent during the Fiscal Year. This revenue limitation is effected through a limitation on "fiscal year spending" as discussed hereafter. Any revenue received during a Fiscal Year in excess of the limitations provided for in TABOR must be refunded to the taxpayers during the next Fiscal Year unless voters approve a revenue change.

TABOR also requires prior voter approval for the following, with certain exceptions: (i) any new State tax, State tax rate increase, extension of an expiring State tax or State tax policy change directly causing a net revenue gain to the State; or (ii) the creation of any State "multiple fiscal year direct or indirect. debt or other financial obligation."

TABOR further requires the State to maintain an emergency reserve equal to 3% of its fiscal year spending (the "**TABOR Reserve**"), which may be expended only upon: (i) the declaration of a State emergency by passage of a joint resolution approved by a two-thirds majority of the members of both houses of the General Assembly and subsequently approved by the Governor; or (ii) the declaration of a disaster emergency by the Governor. The annual Long Appropriation Bill (the "**Long Bill**") designates the resources that constitute the TABOR Reserve, which historically have consisted of portions of various State funds plus certain State real property. The OSPB March 2021 Revenue Forecast states that the TABOR Reserve requirement for Fiscal Years 2020-21 through 2022-23 have been estimated to be $434.4 million, $465.7 million and $491.8 million respectively.

***Fiscal Year Revenue and Spending Limits; Referendum C***. As noted above, unless otherwise approved by the voters, TABOR limits annual increases in State revenues and fiscal year spending, with any excess revenues required to be refunded to taxpayers. 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 sales.

The maximum annual percentage change in State fiscal year spending is limited by TABOR to inflation (determined as the percentage change in 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, being the base year for calculating fiscal year spending. The operation of TABOR created State budget challenges in the early years following its passage, and in 2005 several measures were passed by the General Assembly in an effort to address these challenges, including one, designated "Referendum C," that was submitted to and approved by State voters and thereafter codified as Sections 24-77-103.6 and 106.5, C.R.S. Referendum C authorized the State to retain and spend any amount in excess of the TABOR limit in Fiscal Years 2005-06 through 2009-10. In addition, for Fiscal Years 2010-11 and thereafter, Referendum C created an Excess State Revenues Cap, or "ESRC," as a voter- approved revenue change under TABOR that now serves as the limit on the State's fiscal year revenue retention. The base for the ESRC was established as the highest annual State TABOR revenues received in Fiscal Years 2005-06 through 2009-10. This amount, which was determined to be the revenues received in Fiscal Year 2007-08, is then adjusted for each subsequent Fiscal Year for inflation, the percentage change in State population, the qualification or disqualification of enterprises and debt service changes, each having their respective meanings under TABOR and other applicable State law. However, per SB 17-267, the ESRC for Fiscal Year 2017-18 is an amount equal to (i) the ESRC for Fiscal Year 2016-17 calculated as provided above (ii) less $200 million. For subsequent Fiscal Years, the ESRC is to be calculated as provided above utilizing the ESRC for Fiscal Year 2017-18 as the base amount.

SB 17-267, also (i) terminated the Hospital Provider Fee program and implemented the Healthcare Affordability and Sustainability Fee, which fee is exempt from TABOR as it is collected by an enterprise created by SB 17-267 within the Department of Health Care Policy and Financing; (ii) exempts retail marijuana from the 2.9% State sales tax, which results in less revenue subject to TABOR in Fiscal Years 2017-18 and thereafter; and (iii ) extends and expands the income tax credit for business personal property taxes paid, which is projected to reduce income tax col lections in Fiscal Years 2018-19 and thereafter, but will be offset in part by the distribution of a portion of the special sales tax on retail marijuana sales to the General Fund on an ongoing basis.

As a result of Referendum C, the State was able to retain various amounts in excess of the previously applicable TABOR limit in Fiscal Years 2005-06 through 2013-14, and no refunds were required because such revenues were below the ESRC. In Fiscal Year 2014-15, TABOR revenues exceeded the TABOR limit and resulted in the State being $150.0 million above the ESRC, thus triggering a TABOR refund. TABOR revenues again exceeded the TABOR limit in Fiscal Years 2015-16 and 2016-17 but were below the ESRC, and in Fiscal Year 2017-18, TABOR revenues exceeded the TABOR limit and resulted in the State being $18.5 million above the ESRC, again triggering a TABOR refund. In Fiscal Years 2018-19 and 2019-20, TABOR revenues were below the ESRC. The OSPB March 2021 Revenue Forecast states that TABOR revenues are not forecasted to exceed the TABOR limit in Fiscal Years 2020-21, 2021-22 and 2022-23 but not to exceed the ESRC.

SB 17-267 also changed the TABOR refund mechanisms. Under prior law, the means by which revenues in excess of the ESRC could be refunded to taxpayers included: (i) a sales tax refund to all taxpayers, (ii) the earned income tax credit to qualified taxpayers and (iii) a temporary income tax rate reduction, the particular refund mechanism used to be determined by the amount that needs to be refunded. Per SB 17-267, beginning with Fiscal Year 2017-18, there is added as the first refund mechanism the amount reimbursed by the State Treasurer to county treasurers in the year of the TABOR refund for local property tax revenue losses attributable to the property tax exemptions for qualifying seniors and disabled veterans. See also **Appendix E** – "THE STATE GENERAL FUND – General Fund Overview."

Referendum C also created the "General Fund Exempt Account" within the General Fund, to which there is to be credited money equal to the amount of TABOR revenues in excess of the TABOR limit that the State retains for a given Fiscal Year pursuant to Referendum C. Such money may be appropriated or transferred by the General Assembly for the purposes of: (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 Strategic Transportation Project Investment Program.

***Voter Approval to Retain and Spend Certain Marijuana Taxes Associated with Proposition AA***. At the general election held on November 3, 2015, the State's voters authorized the State to retain and spend $66.1 million in sales and excise taxes on the sale of marijuana and marijuana products ("Marijuana Taxes") authorized by Proposition AA approved by the State's voters in November of 2013 that otherwise would have been subject to a required refund to taxpayers in Fiscal Year 2015-16 pursuant to TABOR. HB 15-1367, which referred the measure to the State's voters as Proposition BB, also provides for the allocation of the retained amount for public school capital construction, for various purposes such as law enforcement, youth programs and marijuana education and prevention programs and for use by the General Fund for any purpose. For more information on how these amounts are treated in the General Fund, see the discussion in "General Fund and State Education Fund Budget" in the OSPB March 2021 Revenue Forecast. SB 17-267 increased the special sales tax on retail marijuana sales from 10% to 15% effective July 1, 2017.

***Effect of TABOR on the Series 2021A Certificates.*** Voter approval under TABOR is not required for the execution and delivery of the Series 2021A Certificates because the State's obligations under the 2021A Lease are payable within any Fiscal Year only if amounts for such payments have been appropriated for such Fiscal Year. 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 money not required by the State Constitution or statutes to be credited and paid into a special State fund are required to be credited and paid into the General Fund. The State also maintains several statutorily created special funds for which specific revenues are designated for specific purposes. See **Appendix E** – "THE STATE GENERAL FUND" and **Appendix G** – "OSPB MARCH 2021 REVENUE FORECAST."

**Budget Process and Other Considerations**

***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 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 may 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 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 fees 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.

***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.

***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 (as previously defined, the "**Unappropriated Reserve**"), which 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, unless they are obligated by statute for another purpose. 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. Set forth in the following table are the Unappropriated Reserve requirements for Fiscal Years 2015-16 through 2020-21. See also **Appendix E** – "THE STATE GENERAL FUND – General Fund Overview."

**State of Colorado**
**Unappropriated Reserve Requirement**

| Fiscal Years | Unappropriated Reserve Requirement [1, 2] |
|---|---|
| 2015-16 | 5.60 |
| 2016-17 | 6.00 |
| 2017-18 | 6.50 |
| 2018-19 [3] | 7.25 |
| 2019-20 [4] | 3.07 |
| 2020-21 [4] | 2.86 |

[1] The Unappropriated Reserve requirement, which is codified as Section 24-75-201.1(1)(d), C.R.S., is a percentage of the amount appropriated for expenditure from the General Fund in the applicable Fiscal Year. Per HB 16-1419 and SB 16-218, for Fiscal Year 2015-16 only, the percentage is of the amount subject to the appropriations limit minus the amount of income tax revenue required to be diverted to a reserve fund to fund severance tax refunds resulting from the ruling of the Colorado Supreme Court on April 25, 2016, in *BP America Production Company v. Colorado Department of Revenue*. See "General Fund Overview" table in Appendix E – "THE STATE GENERAL FUND – General Fund Overview."

[2] Per SB 15-251, in Fiscal Years 2015-16 through 2017-18, General Fund appropriations for lease purchase agreement payments made in connection with certificates of participation sold to fund certain capital projects were made exempt from the reserve calculation requirement. See "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS – The State, State Departments and Agencies."

[3] Per SB 18-276, the Unappropriated Reserve requirement was increased to 7.25% starting with Fiscal Year 2018-19. The legislation also removed the exemption of General Fund appropriations for lease purchase agreement payments made in connection with certificates of participation from the reserve calculation requirement.

[4] Per HB 20-1383, the Unappropriated Reserve requirement was reduced to 3.07% for Fiscal Year 2019-20 and 2.86% for Fiscal Years 2020-21 and 2021-22 and then reverts to 7.25% for Fiscal Years 2022-23 and thereafter. The Governor's November 2020 budget request raises the Unappropriated Reserve requirement to 10.00% beginning in Fiscal Year 2021-22.

Source: State Treasurer's Office.

The OSPB March 2021 Revenue Forecast states that the State ended Fiscal Year 2019-20 with reserves of $1,825.2 million (preliminary), being $1,462.8 million above the 3.07% Unappropriated Reserve requirement applicable to such Fiscal Year, and forecasts that the State will end Fiscal Year 2020-21 with reserves of $3,249.7 million, being $2,947 million above the 2.86% Unappropriated Reserve requirement currently applicable to such Fiscal Year. These figures are based on revenue and budget information available when the OSPB March 2021 Revenue Forecast was completed, and as such are subject to change in subsequent OSPB revenue forecasts based on new information on revenue and expenditures.

See also generally **Appendix E** – "THE STATE GENERAL FUND – General Fund Overview – Revenue Estimation; OSPB Revenue and Economic Forecasts" and **Appendix G** – "OSPB MARCH 2021 REVENUE FORECAST."

***Expenditures; The Balanced Budget and Statutory Spending Limitation***. The State Constitution mandates that expenditures for any Fiscal Year may 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 2009-10 and thereafter, total General Fund appropriations are limited to: (i) such money 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) 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).

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 money 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 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" in this section for a discussion of the effects of the State Constitution on the State's financial operations.

**Fiscal Controls and Financial Reporting**

No money 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. The State Controller or his delegate have statutory responsibility for reviewing each commitment voucher submitted to determine whether the proposed expenditure is authorized by appropriation, whether the appropriation contains sufficient funds to pay the expenditure and whether the prices are fair and reasonable. All payments from the State Treasury are made by warrants or checks 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 or check is full authority for the State Treasurer to pay the warrant or check 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 or checks for payment of claims against the State. The State Controller prepares a Comprehensive Annual Financial Report, or "ACFR," in accordance with generally accepted accounting principles ("**GAAP**") applicable to governmental entities, with certain statutory exceptions for budget compliance and reporting. The State's ACFR for Fiscal Year 2019-20 ACFR (the "**Fiscal Year 2019-20 ACFR**") is appended to this Official Statement and includes the most current annual financial statements for the State.

## Basis of Accounting

For a detailed description of the State's basis of accounting, see Note 1E to the financial statements in the State's Fiscal Year 2019-20 ACFR appended to this Official Statement.

## 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, fees 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. See also **Appendix E** – "THE STATE GENERAL FUND – General" for a discussion of the distinction between the statutory General Fund and the GAAP General Fund.

## 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, 2021. 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 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 2019-20 ACFR, 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 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 State fund.

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

See also Notes 3 and 4 to the State's Fiscal Year 2019-20 ACFR appended to this Official Statement and **Appendix E** – "THE STATE GENERAL FUND – Investment of the State Pool."

### The State General Fund

The General Fund is the principal operating fund of the State. All revenues and money not required by the State Constitution or statutes to be credited and paid into a special State fund are required to be credited and paid into the General Fund. To make the distinction between the statutory General Fund and the GAAP General Fund, the ACFR refers to the statutory General Fund as the General Purpose Revenue Fund. The revenues in the General Purpose Revenue Fund are not collected for a specific statutory use but rather are available for appropriation for any purpose by the General Assembly. See **Appendix E** – "THE STATE GENERAL FUND" for a discussion of the General Fund.

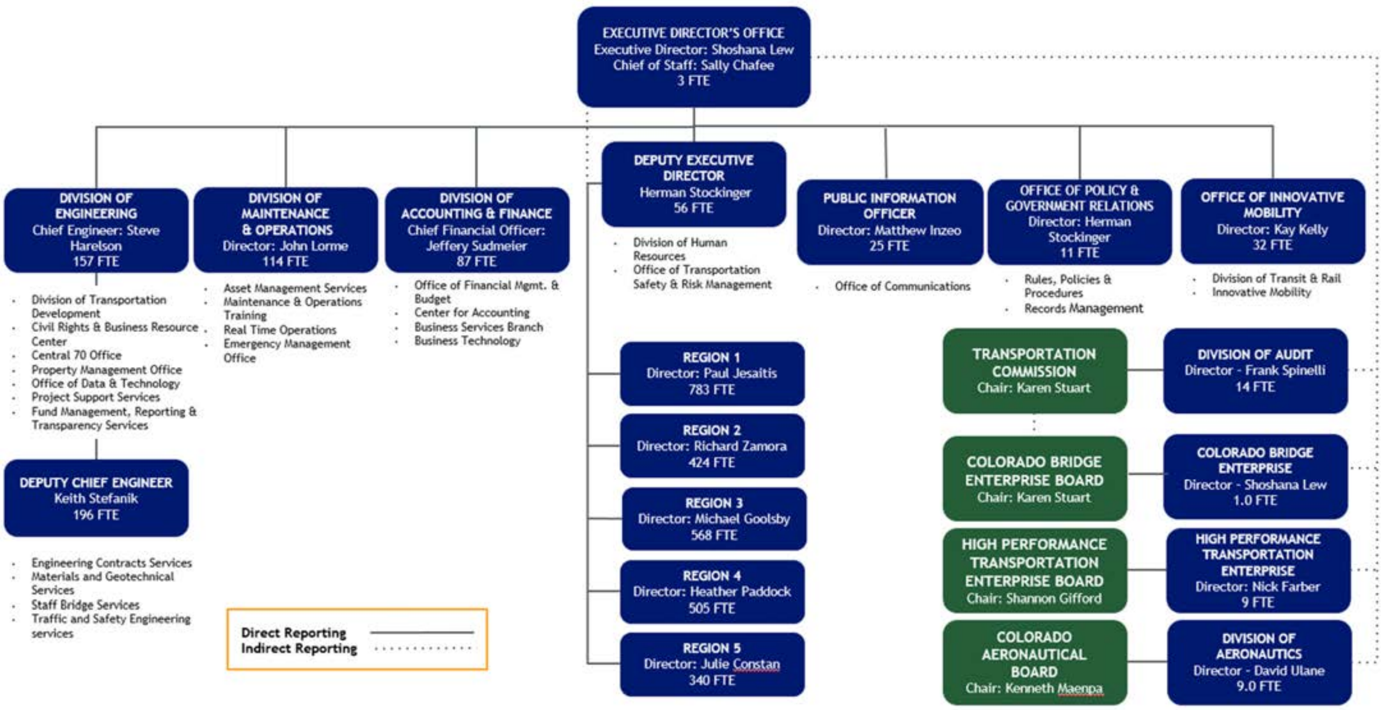
## THE COLORADO DEPARTMENT OF TRANSPORTATION

### General

CDOT, in conjunction with the Transportation Commission and other State, local, federal, and private entities, is responsible for the planning, development, and construction of public highways and other components of the transportation network for the State. CDOT is established by State statute as an executive department of the State of Colorado, in order to provide strategic planning for Statewide transportation systems, to promote coordination among the different modes of transportation, to integrate governmental functions in order to reduce the costs incurred by the State in transportation matters, to obtain the greatest benefit from State expenditures by producing a Statewide transportation policy to address the Statewide transportation problems faced by Colorado, and to enhance the State's prospects to obtain federal funds by responding to federal mandates for multi-modal transportation planning. CDOT works closely with the Transportation Commission, which is further described under "The Transportation Commission" below.

**Organization of Department**

CDOT is under the direction of the CDOT Executive Director, who is appointed by the Governor of the State with the consent of the Senate and who serves at the pleasure of the Governor. CDOT's organizational chart is provided below.




**The Transportation Commission**

The Transportation Commission is established under State statute as a body corporate and consists of 11 members appointed by the Governor of the State with the consent of the State Senate from each of 11 CDOT districts as created pursuant to State statute. Each member serves a four-year term, and, to provide continuity, the terms of the members are staggered every two years. Under State statute, the Transportation Commission has the following powers and duties, among others: (i) to formulate the State's general policy with respect to the management, construction, and maintenance of the public highways and other transportation systems in the State, (ii) to assure that the preservation and enhancement of Colorado's environment, safety, mobility, and economics be considered in the planning, selection, construction, and operation of all transportation projects in the State, (iii) to make such studies as it deems necessary to guide the Executive Director and the Chief Engineer concerning the transportation needs of the State, (iv) to prescribe the administrative practices to be followed by the Executive Director and the Chief Engineer in the performance of any duty imposed on them by law, (v) to advise and make recommendations to the Governor and the General Assembly relative to the transportation policy of the State and, to achieve these ends, to formulate and recommend for approval to the Governor and the General Assembly a Statewide transportation policy, and (vi) to promulgate and adopt all CDOT budgets (other than for the Division of Aeronautics) and State transportation programs, including construction priorities and the approval of extensions or abandonments of the State highway system and including a capital construction request, based on the Statewide transportation improvement programs, for State highway reconstruction, repair, and maintenance projects to be funded from the State capital construction fund. The budgetary process for CDOT is described under "COLORADO DEPARTMENT OF TRANSPORTATION FINANCIAL INFORMATION – Appropriations and Budgetary Process."

**Current Operations**

***General***. The State highway system covers 23,000 lane miles and each year handles over 52.7 billion vehicle miles of travel. CDOT oversees the construction, maintenance, and operations of the State highway system, administers transit and multimodal programs including an interregional bus service, and other programs including local programs, and safety education programs. CDOT's Capital Construction Program includes the surface treatment program designed to reduce deterioration of and preserve and maintain the surface condition of the State highway system, based on surface condition objectives established by the Transportation Commission. Other construction programs include CDOT's repair or replacement of structurally deficient bridges on the State highway system, and other programs focused on asset condition, safety, and regional priorities. CDOT's Maintenance and Operations Program, including regular maintenance and snow and ice removal activities, covers eight regions within the State and includes an additional maintenance unit to service the Eisenhower/Johnson Memorial Tunnel on I-70 and a Traffic and Safety Engineering section that is responsible for signals, signing, and striping in the Denver metropolitan area. Other programs include Multimodal Services, Suballocated Programs (funds passed through to local agencies), and Administration and Operations. Nearly two-thirds of CDOT's staff is dedicated to highway maintenance, and CDOT's maintenance and asset management program budget for Fiscal Year 2019-20 totals $731.7 million, with approximately $79.2 million allocated to snow and ice removal. For Fiscal Year 2019-20, CDOT's total budget covering all its programs was $2.088 billion. For Fiscal year 2020-21, CDOT's total budget covering all its programs is $1,983 billion.

***High Performance Transportation Enterprise and Colorado Bridge Enterprise.*** In 2009, the General Assembly approved, and the Governor signed into law, Senate Bill 09-108 (also known as the "Funding Advancements for Surface Transportation and Economic Recovery Act of 2009" ("FASTER")), which established the High Performance Transportation Enterprise (also known as "**HPTE**") and the Statewide Bridge Enterprise (also known as the "**Colorado Bridge Enterprise**"). HPTE and the Colorado Bridge Enterprise are government-owned businesses within CDOT and are divisions of CDOT. HPTE was established to pursue public-private partnerships and other innovative and efficient means of completing surface transportation infrastructure projects. The Colorado Bridge Enterprise was established to finance, repair, reconstruct and replace any designated bridges in the State, and if agreed to by the Colorado Bridge Enterprise and the Transportation Commission, or CDOT to the extent authorized by the Transportation Commission, to maintain the bridges it finances, repairs, reconstructs and replaces. FASTER also authorized several new funding sources for improvements to roads and bridges on the public highway system including (i) a road safety surcharge varying by vehicle weight collected through the payment of registration fees and specific ownership taxes, supplemental oversize/overweight vehicle permit fees, daily vehicle rental fees, and an increased fee for the late registration of a motor vehicle (collectively "**FASTER Revenues**"), and (ii) a registration fee surcharge for improvements to bridges on the State highway system rated as "poor" (the "**Bridge Safety Surcharge**"). The FASTER Revenues are deposited to the Highway Users Tax Fund (which is a major source of revenue to the State Highway Fund), which revenues can only be used to finance the construction, reconstruction or maintenance of projects to enhance the safety of State, county, municipality and city roads and streets. The FASTER Revenues will not be available to make payments of any Base Rentals, Additional Rentals or the Option Purchase Price. The Bridge Safety Surcharge is deposited into the Bridge Special Fund and is payable directly to Colorado Bridge Enterprise. The Bridge Safety Surcharge is not available for other uses (including the payment of any Base Rentals, Additional Rentals or the Option Purchase Price).

### Transportation Plans

CDOT develops a long-range Statewide Transportation Plan ("**SWP**") that provides guidance for the investment of Colorado's multi-modal transportation system that balances: preservation and maintenance, and incorporation of risk-based asset management; efficient system operations and management practices; capacity improvements; and incorporation of safety in all areas. The SWP sets forth multi-modal transportation needs over a twenty-five-year period. The SWP outlines the State's transportation needs from both an unconstrained vision (if the State had unlimited money) and a fiscally constrained perspective (based on the revenues CDOT actually expects to have available). In addition to the SWP, CDOT maintains a Statewide Transportation Improvement Program (the "**STIP**"); a four-year program of transportation related projects including all highway and transit projects for the State containing federal and/or State funding. The STIP is a compilation of projects utilizing various federal and state funding programs; and includes projects on the State highway system, the city and county street and road systems, as well as projects in the National Parks, National Forests, and Indian Reservations. The STIP is a fully financially constrained plan. All entries in the STIP must be consistent with the financially constrained portion of the SWP. These two documents work hand-in-hand to provide to Colorado's citizenry a public record of current and future transportation projects and their anticipated costs.

## COLORADO DEPARTMENT OF TRANSPORTATION FINANCIAL INFORMATION

### General

State statutes provide that CDOT's Fiscal Year runs from July 1 of one year to June 30 of the following year. CDOT's budget is developed annually through the process described in "Appropriations and Budgetary Process" below. State law places certain limitations on the financial operations of CDOT. Under State statute, CDOT may not enter into contractual or other obligations without providing for payment of those obligations. Therefore, CDOT maintains short-term operating cash in amounts sufficient to provide for timely payment to contractors and for timely reimbursement from the federal government.

### State Highway Fund (CDOT Operating Fund)

***General.*** Except to the extent payable from the proceeds of the Certificates (including the Series 2021A Certificates) and income from the investment thereof, from the Net Proceeds of certain insurance policies, from the Net Proceeds of leasing of or a liquidation of the Trustee's interest in the portion of the Leased Property included in the Trust Estate (see "THE LEASED PROPERTY") or from other amounts made available under the Indenture, the Certificates (including the Series 2021A Certificates) and the interest thereon are payable solely from Revenues, consisting principally of the Base Rentals and the Purchase Option Price, if paid. Base Rental payments may be made solely from amounts annually allocated therefor by the Transportation Commission from the State Highway Fund and amounts annually appropriated by the General Assembly from the General Fund.

***State Highway Fund***. The State Highway Fund, established pursuant to Section 43-1-219, Colorado Revised Statutes, is the primary operating fund used by CDOT to manage State transportation projects. The State Highway Fund receives revenue from the Highway Users Tax Fund (the "**HUTF**"), various other revenue and fees, federal funds, and the General Fund of the State. Only certain money on deposit in the State Highway Fund will be available to pay Base Rentals (mainly certain amounts transferred from the HUTF). In Fiscal Years 2018-19 and 2019-20, approximately 25.1% (or $460.6 million) and 24.2% (or $498.5 million), respectively, of the deposits to the State Highway Fund consisted of revenues from the HUTF that would have been available to pay Base Rentals, $60 million of which was part of a one-time only General Fund transfer directly into the Department's second stream HUTF revenues as part of SB 19-262. Absent the transfer, CDOT's HUTF forecast encountered a shortfall of ($28.9) million between first and second stream revenues in Fiscal Year 2019-20 due to the impact of COVID-19. In Fiscal Year 2020-21, CDOT's most recent official forecast anticipates that approximately 25.1% (or $432.8 million) of the deposits to the State Highway Fund will consist of revenues from the HUTF that would be available to pay Base Rentals. As described below under "Appropriations and Budgetary Process – The Budget Process," over 97% of CDOT's budget is automatically appropriated each Fiscal Year pursuant to statutory continuing appropriation and is subject to annual approval and allocation by the Transportation Commission. The Base Rentals are part of the budget that is subject to continuing appropriation. In addition to the Base Rentals, budgeting for operations, construction, and maintenance activities are part of the budget that is subject to continuing appropriation. The other major source of revenue to the State Highway Fund is federal grants and contracts, which are not available to pay the Base Rentals.

In addition to serving as CDOT's primary operating fund, the State Highway Fund serves as a secondary source of security for the State's Education Loan Program Tax and Revenue Anticipation Notes program. Proceeds of the notes are used by the State to make loans payable within the same Fiscal Year to school districts within the state which participate in the program. To the extent that any school district fails to repay a loan within such Fiscal Year, the State may use certain State funds, including the State Highway Fund, to purchase a portion of the notes corresponding to the unpaid underlying loan obligation. As of the date of this Official Statement, the State had $310 million of outstanding Education Loan Program Tax and Revenue Anticipation Notes.

***Highway Users Tax Fund.*** The HUTF is the principal fund in which State-levied fees and taxes associated with the operation of motor vehicles are deposited. The General Assembly annually appropriates HUTF money to the Department of Revenue and Public Safety for motor vehicle-related programs, and the State Treasurer distributes the remaining HUTF proceeds among CDOT and county and municipal governments in the State according to statutory formulas. Revenues to the HUTF consist of State motor fuel taxes, motor vehicle registration fees, miscellaneous revenues (including surcharges, license fees and traffic citation fees) and FASTER Revenues (which are not available to pay Base Rentals).

The major source of revenue to the HUTF is the State's motor fuel tax. These revenues are generated from taxes on gasoline and diesel fuel sales in the State. In 1969, the General Assembly imposed a $0.07 per gallon tax on sales of gasoline, and this tax has been increased over the years to the current $0.22 per gallon tax on gasoline and $0.205 per gallon tax on diesel fuel imposed since 1992. The following tables lists the types of motor fuel taxes deposited into the HUTF and the current tax rates that are in effect.

**State Motor Fuel Tax Rates**

| Fuel Type | Tax Rate (cents per gallon) |
|---|---|
| Gasoline | 22.0 |
| Diesel | 20.5 |
| Gasohol | 22.0 |

As described below, motor fuel tax revenues in the HUTF are subject to distribution to CDOT, other State entities, and counties and cities in the State based on various legislative formulas. State motor fuel taxes generated $654.9 million (59.0%) of the total HUTF revenues in Fiscal Year 2018-19, and $624.5 million (58.3%) in Fiscal Year 2019-20. Based on CDOT's most recent forecast, State motor fuel taxes are expected to generate $620.0 million (57.9%) of the total HUTF revenues in Fiscal Year 2020-2021. The State's motor fuel tax generated $325.4 million (14.4%) of total CDOT revenues in Fiscal Year 2018-19, and $307.0 million (14.9%) in Fiscal Year 2019-20. Motor fuel collections are estimated to make up ($20.3) million of the total shortfall for CDOT in Fiscal Year 2019-20 due to the impact of COVID-19. CDOT's most recent official forecast anticipates that the State's motor fuel tax will generate $303.0 million (17.6%) of total CDOT revenues in Fiscal Year 2020-21.

The remaining portion of HUTF revenues are comprised of

(i) motor vehicle registration and other fees, which together generated $262.2 million (23.6%) of the total HUTF revenues and $140.8 million (6.0%) of total CDOT revenues in Fiscal Year 2018-19, and $256.9 million (24.0%) of the total HUTF revenues, and $131.6 million (6.4%) of total CDOT revenues in Fiscal Year 2019-20. CDOT also received a one-time only transfer from the General Fund of $60 million directly into the Department's second stream HUTF revenues in Fiscal Year 2019-20 as part of SB 19 262. Absent the transfer, motor vehicle registration and other fees are estimated to make up ($8.7) million of the total shortfall for CDOT in Fiscal year 2019-20 due to the impact of COVID-19. In Fiscal Year 2020-21, CDOT's most recent official forecast expects motor vehicle registration and other fees to generate $256.9 million (24.4%) of the total HUTF revenues and $129.8 million (7.5%) of total CDOT revenues; and

(ii) FASTER Revenues, which generated $115.7 million (5.0%) of total CDOT revenues in Fiscal Year 2018-19, and $113.7 million (5.5%) of total CDOT revenues in Fiscal Year 2019-20. FASTER Revenues fell short of CDOT's forecasted budget by ($4.8) million in Fiscal year 2019-20 due largely to the impact of COVID-19. CDOT's most recent official forecast is expected to generate $116.6 million (6.7%) of total CDOT revenues in Fiscal year 2020-21. *FASTER Revenues will not be available to make payments of any Base Rentals, Additional Rentals or the Option Purchase Price.* CDOT utilizes the FASTER Revenues for various purposes (including the funding of infrastructure and transit improvements).

HUTF revenues are distributed to CDOT and other State and local entities according to various legislative formulas. Prior to making any distributions from the HUTF to CDOT, counties and municipalities, the General Assembly funds the State Patrol and portions of the Department of Revenue's Motor Vehicles Division through annual appropriations from HUTF. These "off-the-top" deductions amounted to $153.1 million (13.8%) of the total HUTF in Fiscal Year 2018-19, and $162.1 million (15.1%) of the total HUTF in Fiscal Year 2019-20, and CDOT's most recent official forecast anticipates "off-the-top" deductions to be $166.1 million (15.6%) of the total HUTF in Fiscal Year 2020-21. By statute, the "off-the-top" deductions may not increase more than 6% annually and may grow to the level of 23% of the HUTF's total income from the previous Fiscal Year.

After "off-the-top" deductions, remaining HUTF revenues are statutorily divided into three separate funding streams. Principal first stream revenues are distributed 65% to CDOT, 26% to counties and 9% to municipalities and include:

- Proceeds of the first seven cents of the gasoline, diesel, and special fuel taxes
- Vehicle license plate, identification plate, and placard fees
- Driver's license, motor vehicle title and registration, and motorist insurance identification fees
- Proceeds of the passenger-mile tax levied on operators of commercial bus services
- Interest earnings

Second stream revenues include motor fuel taxes in excess of the first seven cents per gallon of gasoline, diesel, and special fuels and are distributed 60% to CDOT, 22% to counties and 18% to municipalities.

Third stream revenues include the FASTER Revenues. Apart from a provision in FASTER that redirects \$5.0 million from the county and municipal shares to the State Transit and Rail Fund, the third-stream revenues are distributed in the same proportions as the second stream revenues. The \$5.0 million is then granted by CDOT to local government transit and rail projects. Money in the HUTF are apportioned monthly.

See "CERTAIN RISK FACTORS – Future Changes in Law and Future Initiatives."

The following table sets forth the amount of HUTF revenues received by CDOT in Fiscal Years 2009-10 through 2019-20 that would have been available to pay Base Rentals.

**HUTF Revenue to CDOT**
**Available to Pay Base Rentals**
**Fiscal Years 2009-10 through 2019-20**
**(Dollars in millions)**

| Fiscal Year | HUTF Revenue[1] |
|---|---|
| 2011 | \$409.9 |
| 2012 | 414.0 |
| 2013 | 406.2 |
| 2014 | 418.6 |
| 2015 | 436.0 |
| 2016 | 438.5 |
| 2017 | 450.1 |
| 2018 | 469.3 |
| 2019 | 460.7 |
| 2020 | 438.5 |

[1] Excludes FASTER Revenues, which are not available to pay Base Rentals.

Source: CDOT.

## General Fund Transfers

In 2009, the General Assembly approved, and the Governor signed into law, Senate Bill 09-228 ("**SB 09-228**"), which eliminated an annual percentage growth limit on appropriations from the State's General Fund. Two prior bills, Senate Bill 97-001 and House Bill 02-1310, which transferred general fund revenue in excess of the appropriation limit to the State Highway Fund, were also repealed by SB 09-228. SB 09-228 required a five-year sequence of conditional transfers of up to 2.0% of gross general fund revenue to the State Highway Fund. These transfers commenced in Fiscal Year 2015-16 when CDOT received \$199.2 million. CDOT also received \$79.0 million in each of Fiscal Years 2016-17 and 2017-18 due to SB 09-228. SB 09-228 money are required to be spent on projects included in the Strategic Transportation Projects Investment Program (commonly known as the "7th Pot Projects") and are not available to make payments of any Base Rentals, Additional Rentals or the State's Purchase Option Price. With the passage of SB 17-267, the final two years of SB 09-228 transfers were rescinded. In 2018, SB 18-001 was passed by the Colorado General Assembly. SB 18-001 allocated a \$346.5 million General Fund transfer to CDOT in Fiscal Year 2018-19, and a \$105.0 million General Fund transfer to CDOT for Fiscal Year 2019-20. These transfers, per Transportation Commission action adopted in July 2018, are due to be allocated to priority highway projects in upcoming construction cycles. And, SB 19-262 allocated a $60 million one-time only General Fund transfer directly into CDOT's second stream HUTF revenues in Fiscal Year 2019-20. See also "CERTAIN RISKS FACTORS – Future Changes in Law and Future Initiatives." **In response to the impact of COVID-19 on the General Fund, HB20-1376 suspended two $50 million annual General Fund transfers to CDOT previously scheduled for June 30, 2021 and June 30, 2022. Such transfers had been contemplated under SB 18-001 to compensate CDOT for its Base Rent Payments in such years under the Leases. Without such transfers, CDOT will have to pay such $50 million obligations in both such years from its continuing revenue sources, such as HUTF revenue. In order to make such payments, CDOT plans to defer certain transportation construction projects for which it already has funds and reprioritize other transportation expenditures. CDOT has represented that its ability to pay its share of Base Rent under the 2021A Lease will not be impacted by the enactment of HB20-1376. See "CERTAIN RISK FACTORS --Impact of COVID-19 (Coronavirus)."**

**Other Revenues**

CDOT receives a variety of other revenues, many of which are dedicated to specific uses and, therefore, are not available to make payments of any Base Rentals, Additional Rentals or the Option Purchase Price. The largest source of restricted revenues are money CDOT receives from the federal government through a number of programs for highway, safety, transit and motor carrier projects, generally known as the Federal-Aid Highway Program (the "**FAHP**"). The FAHP is administered by FHWA. Payments to states under the FAHP are derived from amounts in the Federal Highway Trust Fund. CDOT received $512.9 million of FAHP funding in Fiscal Year 2018-19, and $534.0 million in Fiscal Year 2019-20, and expects to receive $553.5 million in Fiscal Year 2020-21.

CDOT also received certain other dedicated miscellaneous revenues that are not available to make payments of any Base Rentals, Additional Rentals or the Option Purchase Price, including, among others, money relating to the Law Enforcement Assistance Fund, the First Time Drunk Driving Offenders Account, the Marijuana Tax Cash Fund and the National Highway Transportation Safety Administration safety programs; and revenues from the State Aviation Fund generated through an excise tax on general and non-commercial aviation fuels.

Additionally, CDOT receives certain unrestricted miscellaneous revenues from interest income, various permits, rentals of buildings in CDOT right-of-way, and sales of property. Such revenues would be available to make payments on the Certificates (including the Series 2021A Certificates). Such unrestricted miscellaneous revenues totaled approximately $47.6 million for Fiscal Year 2018-19, and $50.6 million for Fiscal Year 2019-20, and are expected to total approximately $32 million for Fiscal Year 2020-21. There is no assurance that CDOT will continue to receive such miscellaneous revenues in the future. See "CERTAIN RISK FACTORS" and the page following the inside cover of this Official Statement regarding forward looking statements.

**Selected State and CDOT Financial Information**

Included as **Appendix F** to this Official Statement are certain tables that set forth a Combined Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for the HUTF for Fiscal Years 2014-15 through 2018-19. These tables were taken from the financial statements of the State as of and for Fiscal Years 2014-15 through 2018-19, which are audited by the State Auditor (the "Auditor"). The State's Fiscal Year 2018-19 Comprehensive Annual Financial Report, or "ACFR," including the State Auditor's Opinion thereon, is also appended to this Official Statement as **Appendix A**. Prospective investors who wish to review the State's ACFRs for Fiscal Years 2015-16 through 2019-20 may obtain copies as described in "INTRODUCTION – Additional Information." Financial, economic and demographic information about the State is provided solely for general background to prospective investors.

**Pending Legislation**

On May 4, 2021, Senate Bill 21-260 ("**SB 21-260**") was introduced in the General Assembly. The general purpose of the bill is to modernize the State's transportation systems, with an emphasis on promoting the use of electric cars and related infrastructure and technology. If enacted into law, the bill would inject an estimated $5.3 billion into transportation-related initiatives. Most funding for these initiatives would come from an estimated $3.8 billion in new fees to be generated over the next ten years from fuel purchases, vehicle registrations, ride-sharing services and retail deliveries. Additionally, the bill calls for $1.5 billion in transfers from the General Fund to the State Highway Fund and the HUTF, among other funds and programs. Further, SB 21-260 would lift current Referendum C caps (above TABOR limits) that apply to, among other purposes, spending for strategic transportation projects.

It cannot be predicted whether SB 21-260 will be enacted into law, or if enacted, whether the legislation will be in the form in which it was originally introduced. No representation is made herein as to the likelihood of enactment of SB 21-260, or whether, if enacted, any such legislation would affect the Series 2021A Certificates.

**Financial Audits**

Financial and post-performance audits of all State agencies are performed by 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, 2021. 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 2019-20 ACFR, including the State Auditor's Opinion thereon, is appended to this Official Statement as **Appendix A**. 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 2019-20 ACFR, nor has the State Auditor performed any procedures relating to this Official Statement.

**CDOT Employee Retirement Plan**

CDOT employees participate in a retirement plan administered by the State's Public Employees' Retirement Association of Colorado ("**PERA**"). For information about PERA, see "STATE FINANCIAL INFORMATION – Pension and Post-Employment Benefits" and **Appendix J** – "STATE PENSION SYSTEM.'' CDOT's contributions to PERA are made from federal transportation funds and from HUTF revenues. The following table sets forth CDOT's contributions to PERA in dollars (equal to the statutorily required contribution amounts for each period) and as a percentage of HUTF revenues for Fiscal Years 2014-15 through 2018-19.

**CDOT Contributions to PERA**
**Fiscal Years 2015-16 through 2018-19**

| Fiscal Year | Dollar Amount of CDOT Contribution to PERA | Contribution as a Percentage of HUTF Revenues |
|---|---|---|
| 2016 | $33,878,004 | 7.7% |
| 2017 | 35,825,179 | 8.0 |
| 2018 | 37,446,575 | 8.0 |
| 2019 | 39,581,009 | 8.6 |
| 2020 | 41,214,636 | 9.4 |

Source: CDOT

CDOT's proportionate share of the GASB 68 Net Pension Liability at the end of Fiscal Year 2019-20, excluding CDOT enterprises and internal service funds, was $594.5 million. See additional information on the pension plan and funding in **Appendix J –** "STATE PENSION SYSTEM."

**Appropriations and Budgetary Process**

***The Budget Process.***

<u>*Budget Items Subject to Continuing Appropriation*</u>. CDOT's annual budget is developed under the direction of the Transportation Commission through CDOT's Division of Accounting and Finance, which is also responsible for submitting the budget to OSPB. The majority of CDOT's budget (over 97% of the Fiscal Year 2020-21 budget) is automatically appropriated pursuant to statutory continuing appropriation and is subject to annual approval and allocation by the Transportation Commission. Most programs are subject to continuing appropriation, including CDOT's share of Debt Service (which includes the Base Rentals). The budget is organized around the following four core functions and four support functions:

Core Functions

I. Construction: Supported by construction contractors, CDOT delivers an annual construction program focused on maintaining the condition of existing assets, improving the safety of the system, and enhancing mobility through major upgrades and expansion of the system. CDOT's construction program includes 13 construction programs organized into three categories: Asset Management, Safety, and Mobility. Funding for construction includes not only the work performed on the road by contractors, but also design, right of way acquisition, and related support costs.

II. Maintenance & Operations: CDOT maintenance and operations staff are responsible for the daily maintenance and operation of the state transportation system. This includes 13 Maintenance

Program Areas focused on activities such as snow and ice removal and pavement repair, and programs focused on ensuring the system operates efficiently, such as Courtesy Patrol and Heavy Tow services to remove inoperable vehicles from traffic, and real-time travel information provided to travelers via Variable Message Signs, or the COTRIP website.

III. Multimodal Services: CDOT works to reduce pollution in our air and congestion on our roads by providing multimodal transportation options through its Office of Innovative Mobility and Division of Transit and Rail. This includes Bustang and Bustang Outrider interregional bus service, strategic investment in multimodal infrastructure such as Mobility Hubs, support for transit and light duty vehicle electrification, and other innovative programs focused on providing more choices to Coloradans.

IV. Suballocated Programs: CDOT administers several suballocated programs, passing funds through to local agencies to prioritize and deliver transportation improvements. This includes transit and aeronautics grant programs, as well as flexible programs, such as STP-Metro and CMAQ, used for a variety of highway and multimodal improvements. Suballocated programs are organized into three categories: Highways, Transit, and Aeronautics.

Support Functions

V. Administration & Agency Operations: Administration and Agency Operations programs support the Department's core functions through support services such as contracting and procurement, development of specifications and standards, materials testing, finance and accounting, and human resources, among others. Salaries and benefits make up the largest portion of Administration and Agency Operations costs. Other examples include software and IT infrastructure, and legal expenses.

VI. Debt Service: CDOT and the State's transportation enterprises periodically issue debt and certificates of participation and are responsible for annual debt service payments or base rent. The majority of this debt is associated with Certificates of Participation issued under SB 17-267 for "strategic transportation projects," bonds issued under the federal Build America Bonds program to advance the replacement of poor bridges under the FASTER Bridge program, and debt held by HPTE on major toll corridor projects.

VII. Contingency Reserve: CDOT maintains a contingency fund to provide a source of funding for emergencies (such as major rockfall events or flooding), and for other unplanned or unanticipated needs such as the need to commit matching funds for grant opportunities. Ultimately the majority of contingency funds are allocated to Construction or Maintenance and Operations programs.

VIII. Other Programs: CDOT administers several other programs that support its core functions and the achievement of the Department's mission. This includes the Department's planning and research programs, and safety education programs focused on driver education and enforcement activities.

In June of each year, the Division of Accounting and Finance issues budget instructions to CDOT operating units and division directors within CDOT. This includes requests for Decision Items, or major changes from the previous year budget. During the month of September, the Division of Accounting and Finance updates revenue estimates, reviews decision items, and prepares the initial draft of the budget.

Decision items for CDOT are then reviewed by a sub-group of Executive Management Team members for discussion and approval. All decision items in excess of $1.0 million are taken to the Transportation Commission for approval. In October and November, budget workshops are held with the Transportation Commission. Annually, on or before December 15, the Transportation Commission is to adopt a proposed budget allocation plan for money subject to its jurisdiction for the Fiscal Year beginning on July 1 of the succeeding year. The Transportation Commission approves CDOT's final budget during their March meeting, and the budget is submitted to the Governor for final approval and signature by April 15. The signed budget is effective July 1.

The Fiscal Year 2020-21 CDOT budget was approved by the Transportation Commission on March 19, 2020 and was signed by the Governor by June 30, 2020. The Fiscal year 2021-22 CDOT budget was approved by the Transportation Commission on March 18, 2021, but is currently awaiting the Governor's approval, which is not expected to occur until June 2021.

*Budget Items Subject to Annual Legislative Appropriation*. The remaining portion of CDOT's budget (less than 3% of the Fiscal Year 2020-21 budget) is appropriated annually by the General Assembly. This appropriated portion of the budget includes the budgets for administration and the First Time Drunk Driving Offender account. The budget for administration, as defined by State statute, includes the salaries and expenses of the offices and staff of the Transportation Commission, the Executive Director, the Chief Engineer, regional directors, budget, internal audit, public information, equal employment, special activities, accounting, administrative services, building operations, management systems, personnel, procurement, insurance, legal, and central data processing. State statutes limit administrative spending for these items to 5% of the total budget allocation plan for CDOT. State statutes provide that appropriations made by the General Assembly to CDOT for administrative expenditures are to be set forth in a single line item as a total sum, without identification by project, program, or district.

After the Division of Accounting and Finance issues budget instructions to the CDOT operating units in June of each year, decision items for CDOT's legislatively appropriated budget are submitted directly to the Division of Accounting and Finance by early June. Those decision items approved by the Executive Management Team are submitted to OSPB by early August. Decision items approved by OSPB are included in the final draft of the budget that is submitted to OSPB in late October. In accordance with State statute, OSPB submits copies of CDOT's budget to the Joint Budget Committee (the "**JBC**") of the General Assembly by November 1 of each year. The Transportation Commission also is to submit by October 1 a capital construction request for State highway reconstruction, repair, or maintenance projects to the Capital Development Committee of the General Assembly to be funded from money transferred to the State Capital Construction Fund.

Upon approval by the Transportation Commission as described above, CDOT's budget is submitted in accordance with State statute to OSPB, the JBC, the House Transportation and Energy Committee, and the Senate Transportation Committee by December 15 of each year. CDOT's budget hearing with the JBC is usually held in late November or early December. Under State statute, the House and Senate Transportation Committees are required to hold a joint meeting to review and comment on the proposed budget for the next Fiscal Year. This hearing usually takes place in January or February. CDOT makes a presentation on the proposed budget to the committees. In February, the JBC determines recommended draft figures for CDOT's appropriated programs for inclusion in the Long (Appropriations) Bill (the "**Long Bill**"). The draft Long Bill is released by the JBC in February for consideration and approval by the General Assembly. After approval by the General Assembly, the Long Bill is sent to the Governor for approval, usually in late May. However, due to the impact of COVID-19, it is currently anticipated that the Long Bill for Fiscal Year 2020-21 will be sent to the Governor for approval in June 2020. The Long Bill appropriations for the legislatively appropriated programs are effective July 1 of each Fiscal Year. Capital construction appropriations in the Long Bill are effective upon signature by the Governor.

*Content of the Budget Allocation Plan*. The proposed budget allocation plan is to include a general State transportation budget summary showing the means of financing the budget for the ensuing

Fiscal Year, together with corresponding figures for the last completed Fiscal Year and the Fiscal Year then in progress.

**CDOT has covenanted in the Lease to include in the budget proposal for each Fiscal Year the entire amount of Base Rentals due and Additional Rentals estimated to be due in such Fiscal Year. As part of the budgetary process for each Fiscal Year, the Transportation Commission will have discretion as to whether or not to approve such amounts.**

## DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS

### CDOT

***Series 2016 and 2017 Certificates of Participation.*** The State of Colorado, Colorado Department of Transportation Headquarters Facilities Lease Purchase Agreement Certificates of Participation, Series 2016 (the "**Series 2016 Certificates**") and the State of Colorado, Colorado Department of Transportation Amended and Restated Headquarters Facilities Lease Purchase Agreement Certificates of Participation, Series 2017 (the "**Series 2017 Certificates**") represent proportionate interests in the right of Zions Bancorporation, National Association, as trustee for both transactions to receive base rentals and other amounts payable by the State, acting by and through CDOT pursuant to annually renewable lease purchase agreements. Payments of base rentals and other amounts under such lease purchase agreements are expected to be paid from amounts annually allocated therefor by the Transportation Commission, in its sole discretion from certain amounts on deposit in the State Highway Fund. A portion of the Series 2016 Certificates were refunded by Series 2020 Certificates. As of the date of this Official Statement, the Series 2016 Certificates were outstanding in the aggregate principal amount of $44,135,000 and the Series 2017 Certificates were outstanding in the aggregate principal amount of $55,535,000, and the Series 2020 Refunding Certificates were outstanding in the aggregate principal amount of $19,050,000. The property being leased in connection with the Series 2016 Certificates and Series 2017 Certificates is not part of the Leased Property.

***Series 2012 Lease Purchase Agreement.*** CDOT entered into a lease purchase agreement (the "**Series 2012 Lease**") with Wells Fargo National Association, as trustee, in connection with the Certificates of Participation, Series 2012 (the "**Series 2012 Certificates**"). As of the date of this Official Statement, the Series 2012 Certificates were outstanding in the aggregate principal amount of $4,585,000. The Series 2012 Certificates have a final maturity date of June 15, 2022. The property being leased under the Series 2012 Lease is not part of the Leased Property.

***Intra-Agency Agreements.*** CDOT has entered into Intra-Agency Agreements ("**IAAs**") with HPTE in connection with (a) the I-25 North Express Lanes Project (Segment 3), (b) the 1-70 Peak Period Shoulder Lane Project, (c) the U.S. 36 and the I-25 Managed Lanes Project, and (d) the C-470 Express Lanes Project pursuant to which CDOT, among other things, agreed to consider making, but is not obligated to make, certain backup loans to HPTE in the event project revenues are insufficient to meet certain of HPTE's payment obligations associated with these projects. Any backup loans provided by CDOT to HPTE would require the approval of the Transportation Commission. The IAA with respect to the I-25 North Express Lanes Project (Segment 3) supports an HPTE Toll Revenue Note, Series 2016, in the principal amount of $23.63 million, which has amortized principal payments of 33.4%/33.3%/33.3% due in 2023/2024/2025. The IAA with respect to the I-70 Peak Period Shoulder Lane Project supports an HPTE Toll Revenue Note, Series 2014, which was refinanced and closed in January 2021. The principal amount of $25.2 million, which has amortized principal payments of 12%/16%/16%/16%/16%/16%/8% due in 2024/2025/2026/2027. The IAA with respect to the U.S. 36 and the 1-25 Managed Lanes Project supports certain amounts payable by HPTE to Plenary Roads Denver LLC ("**Plenary**") pursuant to the Amended and Restated Concession Agreement, dated February 24, 2014 (the "**Concession Agreement**"), including certain termination amounts that could be payable by HPTE to Plenary in the event the Concession Agreement is terminated. The IAA with respect to the C-470 Express Lanes Project provides that (a) CDOT will be responsible for any construction costs that exceed $210 million (the design build contract for the C-470 Express Lanes Project has a guaranteed maximum price of $204.3 million, and CDOT has budgeted $21.1 million for contingency costs), and (b) CDOT will be responsible for any costs incurred by HPTE including debt service payments related to the obligations (of approximately $288 million) to be incurred by HPTE with respect to the Colorado High Performance Transportation Enterprise C-470 Express Lanes Senior Revenue Bonds, Series 2017 (the "**C-470 Express Lane Bonds**") the proceeds of which are financing the costs of an express lanes project on C-470 (the "**C-470 Express Lanes Project**") as a result of delays in the collection of tolls on the C-470 Express Lanes Project caused by construction delays (unless such delays are caused by HPTE or the entity hired to collect the tolls).

CDOT also provides backup loan support for HPTE's operations and maintenance expenses with respect to the U.S. 36 and the 1-25 Managed Lanes Project and the I-25 North Express Lanes (Segment 2 and 3); and C-470 Express Lanes Project. CDOT may enter into additional IAA's with HPTE in the future to provide backup loan support for obligations of HPTE. Any backup loans provided by CDOT to HPTE would require the approval of the Transportation Commission.

HPTE and CDOT are currently in negotiations with Bank of America, N.A. and JPMorgan Chase Bank, N.A. on a $40 million note to acquire a parcel of land referred to as Burnham Yard property for future remediation, potential development and transportation-related improvements. Final terms of the IAA between HPTE and CDOT remain subject to final negotiations and approval of the Transportation Commission.

***Other Obligations.*** CDOT also has entered into a number of operating leases for office space, office equipment, software, and maintenance equipment.

**The State, State Departments and Agencies**

***Generally***. 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, and upon execution and delivery of the Series 2021A Certificates will have, no outstanding general obligation debt.

***Governmental Activities***. The State is authorized to and has entered into lease purchase agreements in connection with various public projects, some of which have been financed by the sale of certificates of participation in the revenues of the related lease purchase agreements. The obligations of the State to make lease payments under such agreements each Fiscal Year are contingent upon annual appropriations by the General Assembly. See Notes 11 and 12 to the State's Fiscal Year 2019-20 ACFR appended to this for a discussion of the outstanding lease-purchase agreements entered into by the State as of June 30, 2020, as well as the aggregate minimum lease payments due under such lease-purchase entered into by the State for Fiscal Years 2019-20 and thereafter, and also Note 21 to the Fiscal Year 2019-20 ACFR for a discussion of lease-purchase agreements entered into by the State after June 30, 2020, but before publication of the Fiscal Year 2019-20 ACFR.

In addition to lease purchase agreements, the State is authorized to enter into lease or rental agreements for buildings and/or equipment, all of which contain a stipulation that continuation of the lease is subject to funding by the General Assembly. Historically, these agreements have been renewed in the normal course of business and are therefore treated as non-cancelable for financial reporting purposes. In addition, these agreements generally are entered into through private negotiation with lessors, banks or other financial institutions rather than being publicly offered. See Notes 10 and 12 to the State's Fiscal Year 2019-20 ACFR appended to this Official Statement for a discussion of the outstanding lease/rental agreements entered into by the State as of June 30, 2020 as well as the aggregate minimum payment obligations under such agreements in Fiscal Year 2019-20 and thereafter.

State departments and agencies, including State institutions of higher education, are also authorized to and have entered into annually renewable lease purchase agreements, and to issue revenue bonds and notes, for the purchase of equipment, the construction of facilities and infrastructure and other business-type activities. With the exception of the University of Colorado, which is governed by an elected Board of Regents, the institutions of higher education are governed by boards whose members are appointed by the Governor with the consent of the State Senate. See Notes 11, 12 and 21 to the State's Fiscal Year 2019-20 ACFR appended to this Official Statement for a discussion of such bonds and notes outstanding as of June 30, 2020, and of those issued after June 30, 2020, but before publication of the Fiscal Year 2019-20 ACFR. The revenue bonds and certificates of participation listed in such Notes have in most cases been publicly offered, while the notes payable listed in such Notes have generally been private financings directly with banks or other financial institutions. The State has contingent moral obligations to intercept revenue and make certain debt payments on notes and bonds issued by State school districts in the event they fail to make a required payment to the holders of such notes and bonds. See Notes 19 and 21 to the State's Fiscal Year 2019-20 ACFR appended to this Official Statement.

See also the Statistical Section of the State's Fiscal Year 2019-20 ACFR for a ten-year history of the total outstanding debt and related debt service expenditures of the State.

**State Tax and Revenue Anticipation Notes**

Under State law, the State Treasurer is authorized to issue and sell notes payable from the anticipated revenues of any one or more State 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.

On August 4, 2020, the State issued $410 million in aggregate principal amount of its Education Loan Program Tax and Revenue Anticipation Notes, Series 2020A to meet cash flow shortages experienced by local school districts in the State. On August 6, 2020, the State issued $600 million in aggregate principal amount of its General Fund Tax and Revenue Anticipation Notes, Series 2020, to fund anticipated cash flow shortfalls in the General Fund in Fiscal Year 2020-21. The State issued its Education Loan Program Tax and Revenue Anticipation Notes, Series 2020B in the principal amount of $390,000,000 on January 28, 2021.

See also the Statistical Section of the State's Fiscal Year 2019-20 ACFR appended to this Official Statement for a ten-year history of the total outstanding debt and related debt service expenditures of the State.

**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 and the State Treasurer has no responsibility for such issuances, although pursuant to Section 22-30.5-408, C.R.S., the State may, but is not obligated to, appropriate money to cure unreplenished draws on debt service reserve funds for certain bonds issued by the Colorado Educational and Cultural Facilities Authority to fund facilities for charter schools. 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).

**Pension and Post-Employment Benefits**

***General***. 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 J** – "STATE PENSION SYSTEM," the "**State Division Plan**"). State employees hired after 2005 may, in lieu of participating in the State Division Plan, elect to participate in a defined contribution plan (the "**State Division DC Plan**"), although the majority of State employees participate in the State Division Plan. State employees may also elect to participate in 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 of which is considered a separate division of PERA and for which the State has no obligation to make contributions or fund benefits. The State does not participate in the federal Old-Age, Survivors and Disability Insurance (Social Security) program.

For a general description of the State Division Plan and PERA, see **Appendix J** – "STATE PENSION SYSTEM." For a detailed discussion of the State Division Plan, the State Division DC Plan, the limited healthcare plan and PERA, see Notes 6, 7 and 8 to the State's Fiscal Year 2019-20 ACFR appended to this Official Statement, as well as PERA's Comprehensive Annual Financial Report for calendar year 2019 (the "**PERA 2019 ACFR**"). The information in the State's Fiscal Year 2019-20 ACFR regarding PERA is derived from PERA 2019 ACFR.

***The State Division Plan***. The State Division Plan is funded with contributions made by the State and by each participating State employee at rates that are established by statute. The State has consistently made all statutorily required contributions to the State Division Plan. However, the State Division Plan remains significantly underfunded. In order to address the funding status of PERA's defined benefit plans, including the State Division Plan, the General Assembly enacted SB 18-200, which made changes to the defined benefit plans administered by PERA with the goal of eliminating the UAAL of such plans and thereby reach a 100% funded ratio for each of such plans within a 30-year period. SB 18-200 made changes to certain benefit and contribution provisions of the defined benefit plans administered by PERA, including implementing a provision that automatically adjusts employee and employer contribution rates, annual cost of living increases and the State's annual direct contribution to PERA within certain statutory parameters so as to stay with in the 30-year funding goal. Previously, such adjustments required action by the General Assembly.

The PERA 2019 ACFR reports that at December 31, 2019, the actuarial value of assets of the State Division Plan was approximately \$14.922 billion and the actuarial accrued liability, or "AAL," of the Plan was approximately \$25.718 billion, resulting in an unfunded actuarial accrued liability, or "UAAL,'' approximately \$10.796 billion, a funded ratio of 58.0 % and an amortization period, after consideration of HB 20-1379, of 27 years, all as further described in **Appendix J** – "STATE PENSION SYSTEM." The actuarial value of assets for the State Division 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. Based on the market value of assets of the State Division Plan, at December 31, 2019, the Plan had an unfunded accrued liability of approximately 9.898 billion and a funded ratio of 61.5%.

The funding status of the State Division Plan summarized above reflects the implementation by PERA in 2014 of GASB Statement No. 67, "Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25" ("**GASB 67**"), which establishes new standards for financial reporting and note disclosure by defined benefit pension plans administered through qualified trusts, such as the State Division Plan, and note disclosure requirements for defined contribution pension plans administered through qualified trusts, such as the State Division DC Plan.

Because the State's annual contributions with respect to the State Division 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 the funding ratio of the Plan.

See generally **Appendix J** – "STATE PENSION SYSTEM" for further information regarding the State Division Plan.

***The Health Care Trust Fund***. The State also currently offers other post-employment health and life insurance benefits to its employees. The post-employment health insurance to State employees is provided through PERA's Health Care Trust Fund, in which members from all divisions of PERA are eligible to participate. The Health Care Trust Fund 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 money 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, 2019, the Health Care Trust Fund had a UAAL of approximately $1.099 billion, a funded ratio of 24.1% and a 20-year amortization period. Because the Health Care Trust Fund is a cost-sharing, multiple employer plan, PERA's actuary has not determined the portion of the unfunded actuarial accrued liability that applies to each Division participant. The benefit provided by the Health Care Trust Fund 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 9 and 11 to the PERA 2019 ACFR for additional information regarding the Health Care Trust Fund.

***Implementation of Changes in Pension Accounting Standards Applicable to the State – GASB 68 and GASB 75***. GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" ("**GASB 68**"), which is related to GASB 67 but is applicable to the State, is effective for fiscal years beginning after June 15, 2014, and accordingly was first implemented in the State's Comprehensive Annual Financial Report for Fiscal Year 2014-15 (the "**Fiscal Year 2014-15 ACFR**"). GASB 68 revises and establishes new financial reporting requirements for most governments, such as the State, that provide their employees with pension benefits. GASB 68 requires cost-sharing employers participating in defined benefit plans to record their proportionate share of the unfunded pension liability. The State reported a net pension liability in the State's Fiscal Year 2019-20 ACFR of approximately $11.285 billion at June 30, 2020, compared to a reported net pension liability in the State's Fiscal Year 2018-19 ACFR of approximately $13.531 billion at June 30, 2019. These amounts were determined as of the calendar year-end that occurred within the Fiscal Year. Schedules presenting the State's proportionate share of the net pension liability for its retirement plan as of December 31, 2013-2019, and a ten year history of the State's contribution to PERA for the State and Judicial Divisions, are set forth in Note RSI-2 to the Required Supplementary Information in the State's Fiscal Year 2019-20 ACFR. See also "Overall Financial Position and Results of Operations" in the Management's Discussion and Analysis in the State's Fiscal Year 2019-20 ACFR and Notes 1, 6, 7 and to the Financial Statements in the State's Fiscal Year 2019-20 ACFR, as well as **Appendix J** – "STATE PENSION SYSTEM" and particularly the section thereof entitled "Implementation of Changes in Pension Accounting Standards Applicable to the State – GASB 68."

GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" ("**GASB 75**"), is effective for fiscal years beginning after June 15, 2017, and accordingly was first implemented in the State's Fiscal Year 201 8-19 ACFR. GASB 75 requires, for purposes of governmental financial reporting, that the State recognize a liability for its proportionate share of the net Other Post-Employment Benefits ("**OPEB**") liability (of all employers for benefits provided through the OPEB plan), i.e., the collective net OPEB liability. The State is also required to recognize OPEB expense and report deferred outflows of resources and deferred inflows of resources related to OPEB for its proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB. GASB 75 also requires additional footnote disclosures about the pension trust fund in the financial statements.

***Impact of COVID-19 on State Distributions to PERA.*** Due to the actual and forecast impact of COVID-19 on the State's revenues in Fiscal Years 2019-20 and 2020-21, HB 20-1379 suspended for Fiscal Year 2020-21 the State's annual distribution to PERA to fund unfunded actuarial accrued liabilities in the benefit plans administered by PERA for State employees. See **Appendix J** – "STATE PENSION SYSTEM – Funding of the State Division Plan – Statutorily Required Contributions."

***Effect of Pension Liability on the Certificates***. For a discussion of the State's current pension liability, see the Management's Discussion and Analysis in the Financial Section of the State's Fiscal Year 2019-20 ACFR appended to this Official Statement under the caption "CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS – Pension Plan Contributions." No assurances can be given that the assumptions underlying the State's current or future plans to address its pension liabilities will be realized or that actual events will not cause material changes to the pension data presented in this Official Statement and the State's Fiscal Year 2019-20 ACFR or the State's ability to fully pay its obligations, including the Certificates.

## LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE

### Litigation with Respect to SB 17-267

Except as described below, there is no litigation pending, or to the knowledge of the State, threatened, (a) seeking to restrain or enjoin the execution and delivery of the Series 2021A Certificates, (b) questioning the right of the State Treasurer to enter into the 2021A Lease or 2021 Site Lease in the manner provided in the Act, or (c) questioning or affecting the validity of the Series 2021A Certificates or the proceedings or authority under which they are to be executed and delivered. For a discussion of legal matters, including certain pending litigation involving the Act, see "CERTAIN RISK FACTORS – If Litigation Challenging SB 17-267 is Successful, Payments under the Series 2021A Certificates May be Suspended or Terminated."

Two Colorado non-profit entities and two individuals filed suit in Denver District Court against the State of Colorado and various State entities and officials (*TABOR Foundation et al. v. Colorado Department of Health Care Policy and Financing et al.*, Case No.: 2015 CV 32305) (the "**TABOR Foundation Case**") challenging the constitutionality of SB 17-267, along with some of its specific provisions, on the following grounds: (a) SB 17-267 violates the single subject requirement contained in the Colorado Constitution; (b) the Colorado Healthcare Affordability and Sustainability Enterprise ("**CHASE**") created by SB 17-267 is not an exempt enterprise under TABOR; (c) certain fees created by SB 17-267 amount to taxes enacted without voter approval; and (d) the downward adjustment to the TABOR and Referendum C revenue caps should have been greater due to the creation of CHASE. The

Plaintiffs claim that SB 17-267 should be rendered void because of the constitutional single-subject challenge.

In addition to the healthcare-related provisions being challenged by the Plaintiffs in the TABOR Foundation Case, SB 17-267 contains other provisions including authorizing the State Treasurer to execute and deliver the lease purchase agreements for the financing of State Highway and Transit Projects and State Capital Construction Projects. The Series 2021A Certificates evidence undivided interests in the right to payments from the State under the Leases. On July 16, 2018, cross motions for summary judgment were filed by the parties to such litigation.

On March 5, 2019, the Denver District Court issued its decision on the parties' cross-motions for summary judgment. The Court found that the Plaintiffs had standing to bring the case, but then found in favor of the State on all claims, finding that (1) SB 17-267 did not violate the constitutional single subject requirements; (2) the fee, including those created by SB 17-267 are not taxes subject to TABOR; (3) CHASE is a valid exempt enterprise under TABOR; and (4) no further adjustment under the Excess State Revenue Cap was necessary. The Plaintiffs filed an appeal for the judgment to the Colorado Court of Appeals, and the State cross-appealed on standing.

On November 5, 2020, the Colorado Court of Appeals affirmed the District Court's dismissal of the case, but on the basis that none of the Plaintiffs have standing to bring their claims. On December 17, 2020 the Plaintiffs filed a Petition for Writ of Certiorari to the Colorado Supreme Court seeking review of the Colorado Court of Appeals decision. The Petition for Writ of Certiorari is now awaiting a decision from the Colorado Supreme Court. **The Colorado Supreme Court is not required to accept the case for review and if it does accept it for review, it is not required to defer to, or follow, the legal analysis of either the District Court or Colorado Court of Appeals in this case.**

The State is vigorously defending the suit and believes it has a reasonable possibility of favorable outcome against the Plaintiffs' claims in the TABOR Foundation Case, but the ultimate outcome cannot presently be predicted.

Bond Counsel reviewed the pleadings of Plaintiffs and the State in the TABOR Foundation Case and the opinions of the District Court and Colorado Court of Appeals and has advised the State that the pending litigation will not prevent Bond Counsel from delivering its Litigation Opinion (described in "CERTAIN RISK FACTORS – If Litigation Challenging SB 17-267 is Successful, Payments under the Series 2021A Certificates May be Suspended or Terminated") or its Bond Counsel Opinion in connection with the issuance of the Series 2021A Certificates, including its opinion that the State's obligations under the 2021A Lease are valid, binding and enforceable against the State in accordance with their terms. See **Appendix D** – "FORM OF BOND COUNSEL OPINION."

See, also "STATE FINANCIAL INFORMATION – Taxpayer's Bill of Rights – Fiscal Year Revenue and Spending Limits; Referendum C" and "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS – The State, State Department and Agencies – Governmental Activities."

**Additional Litigation**

For a description of other pending material litigation in which the State is a defendant, see Note 19 to the State's Fiscal Year 2019-20 ACFR appended to this Official Statement. **Except as otherwise noted, no provision for a liability has been made in the financial statements related to the contingencies discussed in such Note.**

## Governmental Immunity

The Colorado Governmental Immunity Act, Article 10 of Title 24, C.R.S. (the "**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. For incidents occurring prior to July 1, 2013, the limits are $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; for incidents occurring on and after January 1, 2013, but before January 1, 2018, the maximum amounts that may be recovered under the Immunity Act are $350,000 for injury to one person in a single occurrence and an aggregate of $990,000 for injury to two or more persons in a single occurrence, except that no one person may recover in excess of $350,000; and for incidents occurring on and after January 1, 2018, but before January 1, 2022, the maximum amounts that may be recovered under the Immunity Act are $387,000 for injury to one person in a single occurrence and an aggregate of $1,093,000 for injury to two or more persons in a single occurrence, except that no one person may recover in excess of $387,000. These limits are subject to adjustment on January 1, 2022, and every four years thereafter based on the percentage change in the Consumer Price Index for Denver-Boulder-Greeley, or its successor index. In individual cases the General Assembly may authorize the recovery from the State of amounts in excess of these limits by legislative action initiated either directly by the General Assembly or upon recommendation of the State Claims Board. 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 State 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 or its employees sued in their official capacities under federal statutes when such actions are brought in federal court.

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

## Self-Insurance

In 1985, the General Assembly passed legislation creating a self-insurance fund, the Risk Management Fund, and established a mechanism for claims adjustment, investigation and defense, as well as authorizing the settlement and payment of claims and judgments against the State. The General Assembly also utilizes the self-insurance fund for payment of State workers' compensation liabilities. The State currently maintains self-insurance for claims arising on or after September 15, 1985, under the Immunity Act and claims against the State, its officials or its employees arising under federal law. See Notes 1G, 9 and 19 and General Fund Components (in Supplementary Information) in the State's Fiscal Year 2019-20 ACFR appended to this Official Statement. 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.

## TAX MATTERS

The Internal Revenue Code of 1986, as amended, includes requirements which the State must continue to meet after the issuance of the Series 2021A Certificates in order that the portion of Base Rent designated and paid by the State as interest on the Series 2021A Certificates (referred to herein as "**interest**") be and remain excludable from gross income for federal income tax purposes. The State's failure to meet these requirements may cause the interest on the Series 2021A Certificates to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2021A Certificates. The State Treasurer has covenanted in the Authorizing Resolution to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Series 2021A Certificates.

In the opinion of Bond Counsel, assuming the accuracy of certain representations and certifications of the State Treasurer and continuing compliance by the State with the tax covenants referred to above, under existing statutes, regulations, rulings, and court decisions, the portion of Base Rent designated and paid by the State as interest on the Series 2021A Certificates (referred to herein as "interest") is excludable from gross income for federal income tax purposes, and, further that, interest on the Series 2021A Certificates is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. No opinion is expressed with respect to the federal income tax consequences of any payments received with respect to the Series 2021A Certificates following termination of the Series 2021A Lease as a result of non-appropriation of funds or the occurrence of an event of default thereunder.

In the opinion of Bond Counsel that, under existing State of Colorado statutes, regulations, rulings and court decisions, the portion of Base Rent designated and paid as interest to the holders of the Series 2021A Certificates is excludable from taxable income for purposes of the State of Colorado income tax and the State of Colorado alternative minimum tax. No opinion is expressed with respect to the Colorado income tax consequences of any payments received with respect to the Series 2021A Certificates following termination of the Series 2021A Lease as a result of non-appropriation of funds or the occurrence of an event of default thereunder. Prospective purchasers of the Series 2021A Certificates should consult their own tax advisors as to the status of interest on the Series 2021A Certificates under the tax laws of any state other than the State.

Except as described above, Bond Counsel will express no opinion regarding the federal or state income tax consequences resulting from the receipt or accrual of the portion of the Base Rent designated and paid as interest on the holders of the Series 2021A Certificates, or the ownership or disposition of the Series 2021A Certificates. Prospective purchasers of Series 2021A Certificates should be aware that the ownership of Series 2021A Certificates may result in other collateral federal or state tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2021A Certificates, or in the case of a financial institution, that portion of the owner's interest expense allocable to the portion of Base Rent designated and paid as interest on the Series 2021A Certificates, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by the applicable statutory percentage of certain items, including the portion of Base Rent designated and paid as interest on the Series 2021A Certificates, (iii) the inclusion of the portion of Base Rent designated and paid as interest on the Series 2021A Certificates in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of the portion of Base Rent designated and paid as interest on the Series 2021A Certificates in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year, and (v) the inclusion of the portion of Base Rent designated and paid as interest on the Series 2021A Certificates in the determination of the taxability of certain Social Security and Railroad Retirement benefits to certain recipients of such benefits. The nature and extent of the other tax consequences described above will depend on the particular tax status and situation of each owner of the Series 2021A Certificates. Prospective purchasers of the Series 2021A Certificates should consult their own tax advisors as to the impact of these other tax consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the IRS or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

**Original Issue Premium**

Certain of the Series 2021A Certificates ("**Premium Series 2021A Certificates**") may be offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity (or earlier for certain Premium Series 2021A Certificates callable prior to maturity). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Series 2021A Certificate, based on the yield to maturity of that Premium Series 2021A Certificates (or, in the case of a Premium Series 2021A Certificate callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Series 2021A Certificates), compounded semiannually (or over a shorter permitted compounding interval selected by the owner). No portion of that bond premium is deductible by the owner of a Premium Series 2021A Certificate. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Series 2021A Certificate, the owner's tax basis in the Premium Series 2021A Certificate is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Series 2021A Certificate for an amount equal to or less than the amount paid by the owner for that Premium Series 2021A Certificate.

Owners of Premium Series 2021A Certificates should consult their own tax advisers as to the determination for federal income tax purposes of the amount of bond premium properly accruable in any period with respect to the Premium Series 2021A Certificates and as to other federal tax consequences, and the treatment of bond premium for purposes of state and local taxes on, or based on, income.

**Changes in Federal and State Tax Law**

From time to time, there are legislative proposals suggested, debated, introduced or pending in Congress or in the State legislature that, if enacted into law, could alter or amend one or more of the federal tax matters, or state tax matters, respectively, described above including, without limitation, the excludability from gross income of the portion of Base Rent designated and paid as interest on the Series 2021A Certificates. Changes such as these could adversely affect the market price or marketability of the Series 2021A Certificates, or otherwise prevent the holders from realizing the full current benefit of the status of the interest thereon. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would affect the Series 2021A Certificates. Prospective purchasers of the Series 2021A Certificates should consult their tax advisors as to the impact of any proposed or pending legislation.

## IRS Audit Program

The Internal Revenue Service (the "**Service**") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the Series 2021A Certificates. If an audit is commenced, the market value and marketability of the Series 2021A Certificates may be adversely affected. An adverse determination by the Service with respect to the tax-exempt status of interest on the Series 2021A Certificates could be expected to adversely impact the secondary market, if any, for the Series 2021A Certificates, and if a secondary market exists, would also be expected to adversely impact the price at which the Series 2021A Certificates can be sold. The Master Indenture and the Series 2021A Supplemental Indenture do not provide for any adjustment to the interest rates borne by the Series 2018 Certificates in the event of a change in the tax-exempt status of the Series 2021A Certificates. Under current audit procedures, the Service will treat the State as the taxpayer and the owners may have no right to participate in such procedures. The State Treasurer has covenanted in the Authorizing Resolution not to take any action that would cause the interest on the Series 2021A Certificates to lose its exclusion from gross income for federal income tax purposes. None of the State, the Financial Advisor or Bond Counsel is responsible for paying or reimbursing any Owner or Beneficial Owner for any audit or litigation costs relating to the Series 2021A Certificates.

There can be no assurance that an audit by the Service of the Series 2021A Certificates will not be commenced. However, the State has no reason to believe that any such audit, if commenced, would result in a conclusion of noncompliance with any applicable Service position, regulation or ruling. No rulings have been or will be sought from the Service with respect to any federal tax matters relating to the issuance, purchase, ownership, receipt or accrual of interest upon, or disposition of the Series 2021A Certificates.

## Information Reporting and Backup Withholding

Interest paid on tax-exempt obligations such as the Series 2021A Certificates is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Series 2021A Certificates from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Series 2021A Certificates, under certain circumstances, to "backup withholding" at the rates set forth in the Code, with respect to payments on the Series 2021A Certificates and proceeds from the sale of Series 2021A Certificates. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Series 2021A Certificates. This withholding generally applies if the owner of Series 2021A Certificates (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("**TIN**"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Series 2021A Certificates may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

# UNDERWRITING

The Series 2021A Certificates are to be purchased by the Underwriters listed on the front cover page of this Official Statement at a price equal to $621,584,397.49 (representing the aggregate principal amount of the Series 2021A Certificates of $500,000,000.00 plus original issue premium of $122,697,775.60 less an aggregate underwriting discount of $1,113,378.11). The Underwriters have agreed to accept delivery of and pay for all the Series 2021A Certificates 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 2021A Certificates, the approval of certain legal matters by counsel and certain other conditions. The Underwriters may offer and sell the Series 2021A Certificates to certain dealers (including dealers depositing such Series 2021A 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 front cover hereof may be changed after the initial offering by the Underwriters.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the State. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the State.

BofA Securities, Inc., an underwriter of the Series 2021A Certificates, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("**MLPF&S**"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Series 2021A Certificates. BofA Securities, Inc., Banc of America Preferred Funding Corporation, and Bank of America, N.A. are affiliated and are subsidiaries of Bank of America Corporation. Bank of America N.A. is a party to a loan agreement with HPTE related to the I-25 North Express Managed Lane Project (Segment 3). CDOT and HPTE have entered into an IAA related to this loan agreement. Bank of America, N.A. is also currently in negotiations with HPTE and CDOT on a $40 million note to acquire a parcel of land referred to as the Burnham Yard property. Such transaction is expected to close prior to the delivery of the Series 2021A Certificates. See "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS – CDOT Intra-Agency Agreements."

UBS Financial Services Inc. ("**UBS FSI**") has entered into a distribution and service agreement with its affiliate UBS Securities LLC ("**UBS Securities**") for the distribution of certain municipal securities offerings. Pursuant to such agreement, UBS FSI will share a portion of its underwriting compensation with UBS Securities. UBS FSI and UBS Securities are each subsidiaries of UBS Group AG.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934. Wells Fargo Municipal Capital Strategies, LLC, an affiliate of Wells Fargo Securities, is a party to a loan agreement with HPTE related to the I-70 Peak Period Shoulder Lane Project. CDOT and HPTE have entered into an IAA related to this loan agreement. See "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS – CDOT-Intra-Agency Agreements."

Wells Fargo Bank, National Association, acting through its Municipal Finance Group ("**WFBNA**"), one of the underwriters of the Series 2021A Certificates, has entered into an agreement (the "**WFA Distribution Agreement**") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("**WFA**"), for the distribution of certain municipal securities offerings, including the Series 2021A Certificates. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2021A Certificates with WFA. WFBNA has also entered into an agreement (the "**WFSLLC Distribution Agreement**") with its affiliate Wells Fargo Securities, LLC ("**WFSLLC**"), for the distribution of municipal securities offerings, including the Series 2021A Certificates. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

J.P. Morgan Securities LLC ("**JPMS**"), one of the underwriters of the Series 2021A Certificates, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("**CS&Co.**") and LPL Financial LLC ("**LPL**") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of CS&Co. and LPL will purchase Series 2021A Certificates from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2021A Certificates that such firm sells. As discussed under "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS – CDOT Intra-Agency Agreements," JPMorgan Chase Bank, N.A., an affiliate of JPMS, is also currently in negotiations with HPTE and CDOT on a $40 million note to acquire a parcel of land referred to as the Burnham Yard property. Such transaction is expected to close prior to the delivery of the Series 2021A Certificates.

## LEGAL MATTERS

Legal matters relating to the validity of the Series 2021A Certificates are subject to the approving opinion of Greenberg Traurig LLP, Denver, Colorado, as Bond Counsel, which will be delivered with the Series 2021A 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 2021A 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 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. Kline Alvarado Veio P.C., 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 2021A Certificates.

## RATINGS

Standard & Poor's Ratings Services ("S&P") has assigned the Series 2021A Certificates a rating of "AA-" and Moody's Investors Service has assigned the Series 2021A 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 makes no representation regarding any rating outlooks related to the Series 2021A Certificates or any other obligations of the State. The State has furnished to the rating agencies certain information and materials relating to the Series 2021A Certificates and the 2021A 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 2021A Certificates. Neither the State, the Municipal Advisor (hereinafter defined), nor any Underwriter undertakes any responsibility to oppose any such revision, suspension or withdrawal.

## MUNICIPAL ADVISORS

The State has retained Hilltop Securities Inc., Denver, Colorado and CDOT has retained Stifel Nicolaus & Company, Incorporated, Denver, Colorado, as municipal advisors (collectively, the "**Municipal Advisors**") in connection with the Series 2021A Certificates and with respect to the authorization, execution and delivery of the Series 2021A Certificates. *The Municipal Advisors were not obligated to undertake, and have not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.* The Municipal Advisors will act as independent advisory firms and will not be engaged in underwriting or distributing the Series 2021A Certificates.

## CONTINUING DISCLOSURE

Rule 15c2-12, adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, prohibits underwriters from purchasing or selling certain municipal securities unless the issuer of those securities, or an obligated person for whom financial or operating data is presented in the final official statement, has undertaken to provide continuing disclosure information for the benefit of the owners of those securities. In accordance with Rule 15c2-12, the State, acting by and through the State Treasurer, will enter into a Continuing Disclosure Undertaking on the Closing Date, the form of which is appended to this Official Statement, pursuant to which the State Treasurer will agree for the benefit of the Owners and Beneficial Owners of the Series 2021A Certificates to file with the MSRB via its EMMA website (a) certain annual financial information and the State's audited annual financial statements not later than 270 days after the end of each Fiscal Year, commencing with the Fiscal Year ended June 30, 2020, and (b) notices of the occurrence of certain events affecting the State and the Certificates within ten business days of their occurrence. See **Appendix C** – "FORM OF CONTINUING DISCLOSURE UNDERTAKING" for a description of the annual information and the notices of events to be provided and other terms of the Continuing Disclosure Undertaking.

The obligations of the State Treasurer pursuant to the Continuing Disclosure Undertaking are for the benefit of the Owners and Beneficial Owners of the Series 2021A Certificates, and, if necessary, may be enforced by such Owners and Beneficial Owners by specific performance of such obligations by any judicial proceeding available. However, a breach of the State Treasurer's obligations pursuant to the Continuing Disclosure Undertaking does not constitute an Indenture Event of Default or a Lease Event of Default, and none of the rights and remedies provided in the Indenture and the Lease for such defaults will be available to the Owners and Beneficial Owners of the Certificates in the event of a breach of the Continuing Disclosure Undertaking.

### Compliance with Other Continuing Disclosure Undertakings

The State Treasurer has determined that during the previous five years, the State Treasurer and certain other State departments or agencies have not complied in all material respects with continuing disclosure undertakings entered into by such entities pursuant to Rule 15c2-12 in connection with municipal securities issued by or for the benefit of such entities by failing to file, or to file on a timely basis, on the EMMA website and its predecessor repositories, certain annual financial information, audited financial statements and/or notices of material events as required by those continuing disclosure undertakings.

Partially in response to the foregoing, the State Treasurer requested and the General Assembly enacted legislation in 2012 to provide the State Treasurer with statutory authority over debt issuance and post-issuance compliance with continuing disclosure undertakings entered into by the State, the State Treasurer and certain State departments and agencies that utilize the State's credit (collectively, the "**Included Entities**") in connection with financial obligations issued by or for the benefit of the Included Entities. Consistent with this authorization, the responsibility for compliance with the continuing disclosure undertakings entered into by the Included Entities has been centralized with the State Treasurer, which is intended to ensure future compliance with such continuing disclosure undertakings.

In early 2013, the State Treasurer retained Digital Assurance Certification, LLC ("**DAC Bond**"), as its disclosure dissemination agent for the purpose of assisting it with auditing past compliance, making remedial filings and ensuring ongoing compliance with its continuing disclosure filing requirements with the MSRB of all information required in the continuing disclosure undertakings entered into by the Included Entities, and plans to implement other procedures intended to ensure future material compliance with such continuing disclosure undertakings.

In addition, consistent with its statutory authorization and as a result of the circumstances described above, the State Treasurer's office carried out a comprehensive review of compliance by the State with the continuing disclosure undertakings entered into by the Included Entities for the purpose of determining instances of material noncompliance with such continuing disclosure undertakings. Instances of material noncompliance discovered by the State Treasurer's office have been addressed by making appropriate corrective filings or taking other remedial actions, either directly or by DAC Bond. The State also participated in the SEC's Municipal Continuing Disclosure Cooperation Initiative discussed in "MCDC Settlement Order with Securities and Exchange Commission" hereafter.

Due to various issues that were experienced by the State in connection with the implementation of a new integrated financial system as described in "STATE FINANCIAL INFORMATION – Fiscal Controls and Financial Reporting," the State's unaudited Basic Financial Statements for Fiscal Year 2014-15 and the State's Fiscal Year 2014-15 ACFR were not completed and released until late January 2016 and late April 2016, respectively. As a result, the State was unable to post its Fiscal Year 2014-15 audited financial statements on EMMA by December 31, 2015, as required by numerous continuing disclosure undertakings entered into by the Included Entities. Notice of such noncompliance was posted on EMMA on January 25, 2016, and the State's unaudited Basic Financial Statements for Fiscal Year 2014-15 and the State's Fiscal Year 2014-15 ACFR were subsequently posted on EMMA on February 1, 2016, and May 2, 2016, respectively. The State was also unable to post its Fiscal Year 2015-16 audited financial statements on EMMA by December 31, 2016, as required by such continuing disclosure undertakings. Notice of such noncompliance was posted on EMMA on January 16, 2017, and the State's unaudited Basic Financial Statements for Fiscal Year 2015-16 and the State's Fiscal Year 2015-16 ACFR were posted on EMMA on January 16, 2017, and March 8, 2017, respectively. The State was also unable to post its Fiscal Year 2016-17 audited financial statements on EMMA by January 26, 2018, as required by such continuing disclosure undertakings. A notice of late filing was posted on EMMA on January 25, 2018, and the State's unaudited Basic Financial Statements for Fiscal Year 2016-17 and the State's Fiscal Year 2016-17 ACFR were posted on EMMA on January 9, 2018, and February 8, 2018, respectively.

In addition to the State's financial statements for Fiscal Years 2014-15 and 2015-16 discussed above, certain operating data for the Department of Human Services for Fiscal Years 2014-15 and 2015-16 was not timely posted on EMMA (within 200 days of the end of the Fiscal Year) in connection with the Colorado State Department of Human Services (Division of State and Veterans Nursing Homes) Enterprise System Revenue Anticipation Warrants, Series 2002A. Notices of failure to file such information for Fiscal Years 2014-15 and 2015-16 were posted on EMMA on January 21, 2016, and January 19, 2017, respectively. The State's unaudited Basic Financial Statements and ACFRs for Fiscal Years 2014-15 and 2015-16 were eventually posted on EMMA as discussed above, and the operating data for the Department of Human Services for both Fiscal Years 2014-15 and 2015-16 was posted on EMMA on March 28, 2017.

The OSPB December 2015 and March 2016 revenue forecasts were not timely posted on EMMA in connection with the State's Higher Education Federal Mineral Lease Certificates of Participation, Series 2014A. Both a notice of failure to timely file such revenue forecasts, together with the revenue forecasts, were posted on EMMA on May 16, 2016.

Further, due to a late journal entry by a department, the State's audited annual financial statements (the Fiscal Year 2019-20 ACFR) was not released and posted until March 16, 2021, resulting in a late filing of the audited annual financial statements for some of the State's outstanding issues. The State filed a Failure to Provide Annual Financial Information as Required Filing with EMMA on January 26, 2021.

**MCDC Settlement Order with Securities and Exchange Commission**

In March of 2014, the Securities and Exchange Commission (the "**SEC**") announced its Municipal Continuing Disclosure Cooperation Initiative (the "**MCDC**") pursuant to which underwriters and municipal issuers could self-report instances where official statements of municipal issuers failed to report instances in which the issuer failed to comply in all material respects with its continuing disclosure undertakings. Pursuant to the MCDC, on or about November 26, 2014, the State Treasurer reported certain prior failures to the SEC.

In May of 2016, the State Treasurer, on behalf of CDOT, executed an Offer of Settlement (the "**Offer**") with the SEC under the MCDC, which Offer was accepted by the SEC on August 24, 2016, and became an order of the SEC (the "**Order**"). As described in the Order, CDOT participated in one negotiated offering in 2011 in which the final official statement stated in relevant part that during the past five years, CDOT had complied in all material respects with its continuing disclosure undertakings. Notwithstanding such statement, however, CDOT's audited financial statements for 2006, 2007, 2008, 2009 and 2010 were not filed until 2014 when it was discovered that such financial statements had not been filed previously with the Nationally Recognized Municipal Securities Information Repositories or the MSRB through the EMMA system, as applicable.

Pursuant to the Order, the State Treasurer has agreed to (i) within 180 days of the entry of the Order, establish written policies and procedures and undertake periodic training regarding continuing disclosure obligations, including designation of an individual or officer responsible for ensuring compliance with such policies and procedures, (ii) within 180 days of the entry of the Order, comply with existing continuing disclosure undertakings, and, if not currently in compliance, update past delinquent filings, (iii) disclose in clear and conspicuous fashion the terms of the Offer in any official statement for an offering through the State Treasurer within five years of the institution of the proceedings, (iv) cooperate with any subsequent investigation by the SEC regarding false statements and/or material omissions and (v) not later than one year from the date of the institution of the proceedings, certify, in writing, compliance with the foregoing undertakings.

In a letter to the SEC dated August 22, 2017, the State Treasurer stated that written policies and procedures and periodic training regarding continuing disclosure obligations to effect compliance have been implemented. The State Treasurer also stated that the State was in compliance with all continuing disclosure obligations, including updating past delinquent filings if the State Treasurer was not in compliance with its continuing disclosure obligations. The State Treasurer has and intends to continue to fully disclose in a clear and conspicuous fashion the terms of the settlement accompanying the Order in any final official statement for offering by the State Treasurer within five years of the institution of proceedings.

The State Treasurer has updated its continuing disclosure procedures in order to comply with the Order and to ensure filings are done in accordance with its continuing disclosure agreements.

**Additional Information**

Additional information concerning the matters discussed in this section may be obtained from the Colorado Attorney General's Office, 1300 Broadway, 6th Floor, Denver, Colorado 80203, Attention: Lori Ann F. Knutson, Esq., First Assistant Attorney General, telephone number: (720) 508-6153.

## 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 2021A Certificates, copies of the Act and certain other documents referred to herein may be obtained from the source provided in "INTRODUCTION – Miscellaneous." 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 Department of the Treasury as of the date on the cover page hereof.

**STATE OF COLORADO,**
**acting by and through the Department of the Treasury**

By: /s/ David L. Young
Treasurer, State of Colorado

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**APPENDIX A**
**State of Colorado Comprehensive Annual Financial Report**
**for the Fiscal Year ended June 30, 2020**

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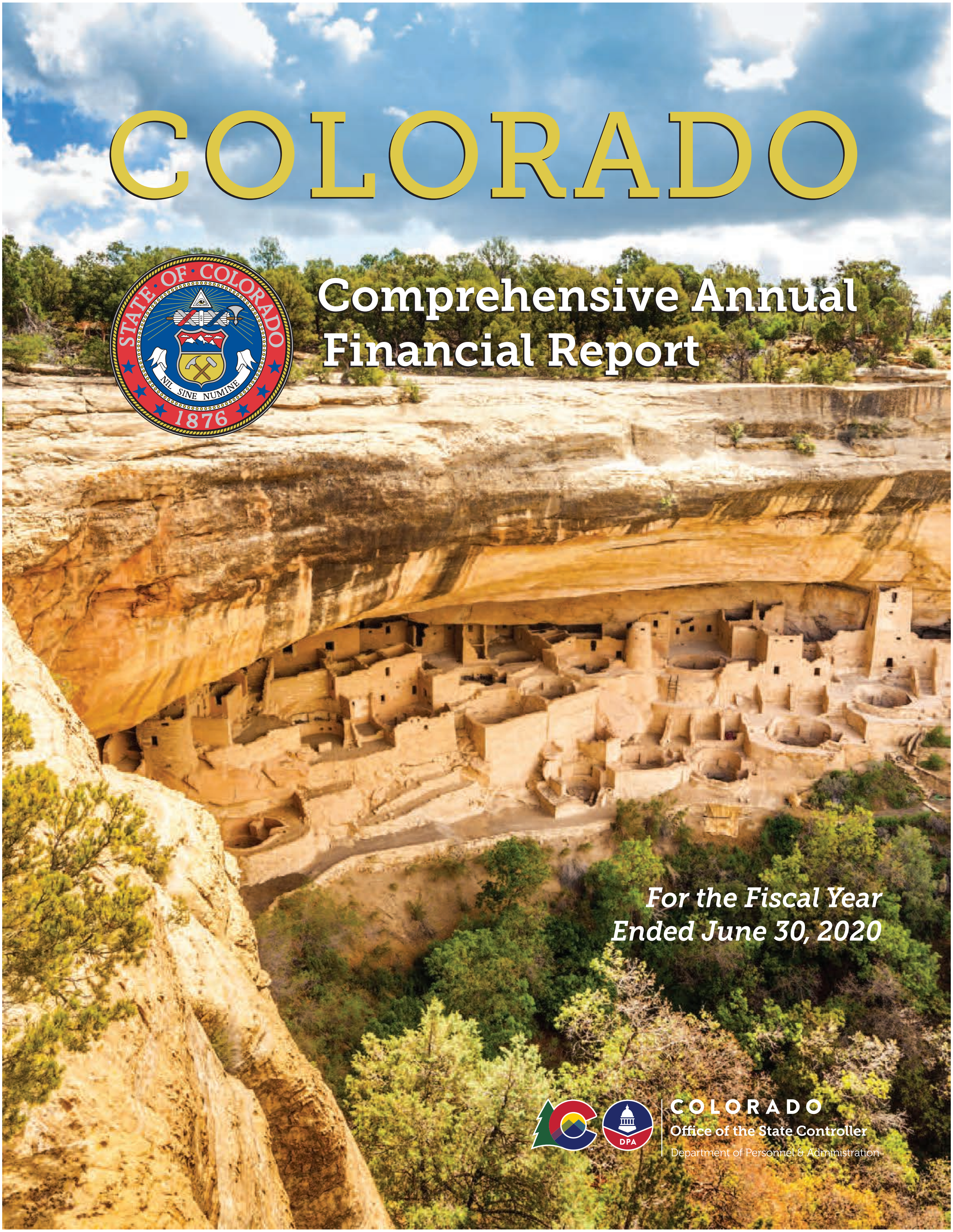
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Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2020
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COLORADO
Office of the State Controller
Department of Personnel & Administration

# Comprehensive Annual Financial Report

Jared S. Polis
Governor

## For the Fiscal Year Ended June 30, 2020

Department of Personnel & Administration

Kara Veitch
Executive Director

Robert Jaros
State Controller

COLORADO
Office of the State Controller
Department of Personnel & Administration

## 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:

https://www.colorado.gov/osc/cafr

# STATE OF COLORADO
# COMPREHENSIVE ANNUAL FINANCIAL REPORT
## FOR THE FISCAL YEAR ENDED JUNE 30, 2020

## CONTENTS

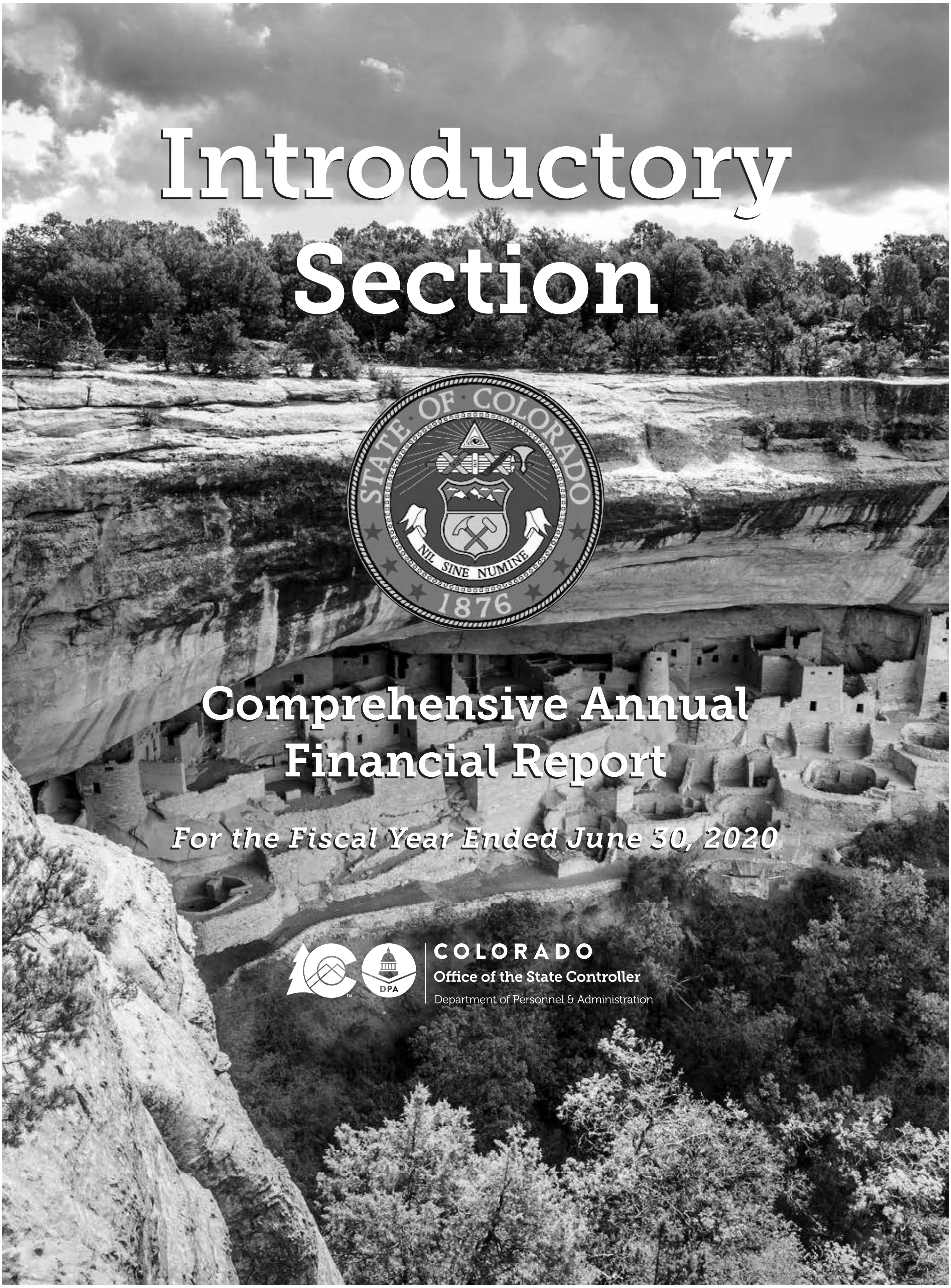
### INTRODUCTORY SECTION



### FINANCIAL SECTION

## STATISTICAL SECTION

# Introductory Section



## Comprehensive Annual Financial Report

*For the Fiscal Year Ended June 30, 2020*

COLORADO
Office of the State Controller
Department of Personnel & Administration

COLORADO
Office of the State Controller
Department of Personnel & Administration
1525 Sherman St., 5th Floor
Denver, CO 80203

March 5, 2021

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

I am pleased to submit the State of Colorado's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2020. The State Controller is responsible for the contents of the CAFR and is committed to sound financial management and governmental accountability.

We believe the Basic Financial Statements contained in the CAFR 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 position 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.

Management has established a comprehensive framework of internal controls, which are designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from that control.

Except as noted below, the CAFR is prepared in conformity with generally accepted accounting principles (GAAP) applicable to governments as prescribed by the Governmental Accounting Standards Board (GASB). The schedules comparing budgeted to actual activity, included in the sections titled Required Supplementary Information and 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; for additional information, see the Cash Basis Accounting description in the Management's Discussion and Analysis (MD&A).

The MD&A contains financial analysis and additional information that is required by GASB and should be read in conjunction with this transmittal letter. In addition to the Basic Financial Statements, the CAFR includes: combining financial statements that present information by fund, certain narrative information that describes the individual fund, supporting schedules, Taxpayer Bill of Rights (TABOR) Schedules and notes, and statistical tables that present financial, economic, and demographic data about the State.

The State Auditor performed an independent audit of the Basic Financial Statements contained in the CAFR and has issued unmodified opinions on all opinion units except for the Unemployment Insurance Fund and the related Business-Type Activities, on which disclaimers of opinion were issued. The State of Colorado experienced a significant increase in Unemployment Insurance claims related to the COVID-19 pandemic, and could not establish reliable estimated accruals related to the unprecedented number of claims. The State Auditor also applied limited audit procedures to the Required Supplementary Information (including the MD&A), but does not issue an opinion on such information. For more information regarding the audit and its results, see the Independent Auditor's Report.

## *PROFILE OF THE STATE GOVERNMENT*

The government of the State of Colorado serves an estimated 5,814,000 Coloradans. The services provided are categorized by function of government on the government-wide *Statement of Activities*. The largest of these are education, higher education, and social assistance.

### Structure of the State Government

The State maintains a separation of powers by utilizing three branches of government: executive, legislative, and judicial. The executive branch comprises four major elected officials – Governor, State Treasurer, Attorney General,

1525 Sherman St., Denver, CO 80203 P 303.866.6200 www.colorado.gov/osc
Jared S. Polis, Governor | Kara Veitch, Executive Director

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 Legislature is bicameral and comprises thirty-five senators and sixty-five representatives. 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, heavily influences the financial decision making of the Legislature. The Committee is bipartisan with members drawn from each of the houses of the Legislature.

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, district courts, and county courts, served by more than 300 justices and judges in 22 judicial districts across the State. There are also seven water courts, one in each of the State's major river basins.

**Component Units**

The Basic Financial Statements include financial information for component units, which are entities that are legally separate from the State but included in the CAFR as prescribed by GAAP. The financial information for these component units are either discretely presented, or blended within the Higher Education Fund. Below is a list of the entities reported in the Basic Financial Statements as component units:

- Discretely Presented Component Units:
  - Colorado Water Resources and Power Development Authority
  - University of Colorado Foundation
  - Other Component Units (nonmajor):
    - Denver Metropolitan Major League Baseball Stadium District
    - HLC @ Metro, Inc.
    - Statewide Internet Portal Authority
- Blended Component Units:
  - University Physicians Inc., d/b/a CU Medicine
  - University of Colorado Property Construction, Inc.

There were other entities evaluated for inclusion as component units, but did not meet the criteria established by GASB. Many of these are discussed under Related Organizations in Note 18.

**Budgetary Process and Budgetary Control**

The State's budget consists of appropriated and non-appropriated General-funded, Federally-funded, and Cash-funded amounts. The appropriated portion of the budget is determined annually by the General Assembly, which creates the annual Long Appropriation Act as well as other special and supplemental bills. In its appropriation bills, the General Assembly sets the legal level of budgetary control for appropriated amounts by department, line item, and funding source. The non-appropriated portion includes certain cash funds, for which existing state statutes prescribe the amounts authorized for spending, and most federal funds, for which a federal award document or other agreement establishes the amount authorized for spending. The budget is entered into the State's accounting system, which tracks amounts spent and obligated, to ensure the budget is executed as authorized.

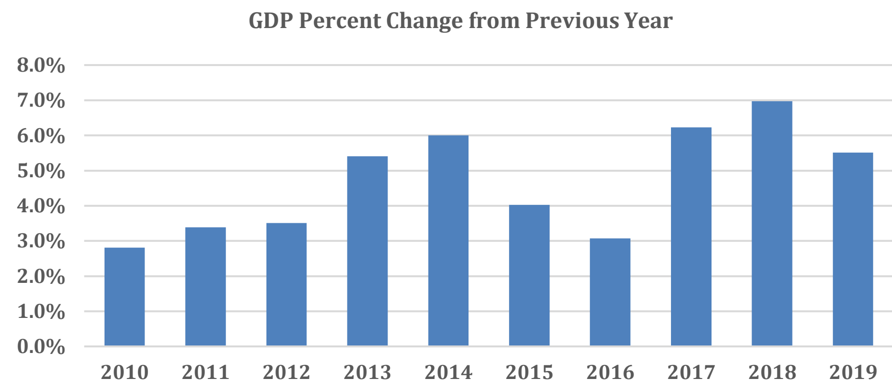
For the most part, operating appropriations lapse at the end of the fiscal year unless the State Controller approves, at a line item level, an appropriation roll-forward based on express legislative direction or extenuating circumstances. The State Controller may also, at a line item level and with the approval of the Governor, allow expenditures in excess of the appropriated budget. Capital construction appropriations are normally effective for three years and do not require State Controller roll-forward approval.

## *ECONOMIC CONDITION AND OUTLOOK*

**The State's Economy**

The State's General Fund general-purpose revenues reflect the overall condition of the State economy, which showed continued growth in Fiscal Year 2020; General Fund revenues increased by $619 million (5.0 percent) from the prior year. Historically, Colorado economic activity and in-migration have been interdependent. Net migration has averaged approximately 55,000 from 2015 to 2019. Net migration has decreased over this period from approximately 71,600 (2015) to 43,300 (2019) and is projected to be 35,100 and 30,000 for 2020 and 2021, respectively.

The chart below shows the percent change from the previous year of Colorado's gross domestic product (GDP) for the years 2010 to 2019. According to the Bureau of Economic Analysis (BEA), the GDP has consistently increased over the last ten years. Colorado's 2019 GDP of $392,986 million is a 5.5 percent increase from 2018 and a 58.0 percent increase from 2009.




Colorado has a diverse economy, comprising many industries. The table below shows GDP in current dollars and percent of total GDP by industry for the years 2009 and 2019. Over this ten-year period, the industry profile of the State's GDP has been stable, with growth across most industries.

| Industry | 2009 GDP (millions) | 2009 Percent of Total | 2019 GDP (millions) | 2019 Percent of Total |
|---|---|---|---|---|
| Finance, Insurance, Real Estate, Rental, and Leasing | $ 47,501.4 | 19.2 % | $ 80,882.0 | 20.5 % |
| Professional and Business Services | 34,876.1 | 14.0 | 59,286.6 | 15.1 |
| Government and Government Enterprises | 32,865.2 | 13.2 | 47,449.2 | 12.1 |
| Educational Services, Health Care, and Social Assistance | 17,690.1 | 7.1 | 27,816.4 | 7.1 |
| Manufacturing | 19,855.2 | 8.0 | 26,523.7 | 6.7 |
| Information | 18,633.8 | 7.5 | 22,844.8 | 5.8 |
| Wholesale Trade | 13,403.3 | 5.4 | 21,936.9 | 5.6 |
| Construction | 11,463.6 | 4.6 | 22,845.1 | 5.8 |
| Retail Trade | 13,617.8 | 5.5 | 20,433.4 | 5.2 |
| Arts, Entertainment, Recreation, Accommodation, and Food Services | 10,404.6 | 4.2 | 20,168.3 | 5.1 |
| Transportation and Warehousing | 6,537.2 | 2.6 | 14,574.6 | 3.7 |
| Mining, Quarrying, and Oil and Gas Extraction | 10,666.4 | 4.3 | 12,074.8 | 3.1 |
| Other Services (Except Government and Government Enterprises) | 5,815.1 | 2.3 | 8,954.5 | 2.3 |
| Utilities | 3,297.9 | 1.3 | 4,225.3 | 1.1 |
| Agriculture, Forestry, Fishing and Hunting | 2,041.4 | 0.8 | 2,970.4 | 0.8 |
| All Industry Total | $ 248,669.1 | | $ 392,986.0 | |

The Governor's Office of State Planning and Budgeting (OSPB) described Colorado's economic outlook in the December 2020 *Colorado Economic and Fiscal Outlook*:

"*Despite improvement over the fall, Colorado's economic activity remains below pre-COVID levels. The outlook for the winter months has weakened as higher COVID caseloads have resulted in more public health restrictions on businesses, while winter weather limits outdoor dining. Though weekly initial unemployment claims remain far below the levels of March and April, they have more than tripled since September and are expected to remain elevated through the winter months. Despite this, the outlook for 2021 has improved due to high savings and wealth and the distribution of the vaccine.*"

The OSPB has made the following calendar year forecasts for Colorado's major economic variables:

- Unemployment will average 7.0 percent for 2020 compared with 2.8 and 3.2 percent in 2019 and 2018, respectively, and is expected to decrease to 5.7 percent in 2021.
- Wages and salary income will decrease by 0.3 percent in 2020, but will increase by 3.7 percent and 4.4 percent in 2021 and 2022, respectively.
- Total personal income will increase by 6.2 percent in 2020 and will increase by 1.6 percent 3.6 percent in 2021 and 2022, respectively.
- Inflation, measured by the Denver-Aurora-Lakewood Consumer Price Index, will be 2.3 percent in 2020 and 2.5 percent in 2021.

**Long-Term Financial Planning, Relevant Financial Policies, and Major Initiatives**

House Bill 20-1383, enacted in 2020, temporarily reduces the State's General Fund reserve percentage. For Fiscal Year 2020, the reserve requirement was reduced from 7.25 percent to 3.07 percent. For Fiscal Years 2021 and 2022, the bill reduces the reserve requirement to 2.86 percent and restores the reserve requirement to 7.25 percent for Fiscal Year 2023 and subsequent years. The temporary reductions were enacted to increase General Fund discretionary appropriations in response to budgetary challenges related to the COVID-19 emergency.

Senate Bill 18-200, enacted in 2018, addressed underfunded obligations of the Public Employees' Retirement Association (PERA), which provides benefits to state and local government retirees. The bill makes several provisions, including a recurring direct distribution to PERA of $225 million per year and changes to contribution rates, formulas for calculating benefits, and cost of living allowances. With the enactment of this bill, a reduction to the State's unfunded pension liabilities is expected in future years until the liability is fully funded by 2048. House Bill 20-1379 suspended the direct distribution for Fiscal Year 2021, but the direct distribution will resume in fiscal years thereafter.

Section 24-30-1310, C.R.S., provides an on-going funding mechanism for capital construction, controlled maintenance, and capital renewal. Over the depreciable life of capital assets that are acquired, constructed, or maintained, an amount equivalent to depreciation is annually transferred to a capital reserve account, the capital construction fund, or the controlled maintenance fund to be utilized for future capital expenditures.

The State received about $2.9 billion in federal funds from four different bills passed by Congress since March 2020 including the Coronavirus Preparedness and Response Supplemental Appropriations Act, the Families First Coronavirus Response Act, the CARES Act, and the Paycheck Protection Program and Health Care Enhancement Act. The largest of these was the CARES Act, under which the State received $2.3 billion, including $1.7 billion to the State and $0.6 billion directly to the State's largest counties with population over 500,000 (the counties of Adams, Arapahoe, Denver, El Paso, and Jefferson). The Governor also signed Executive Order D 2020 070 which allocated the $1.7 billion to address the COVID-19 pandemic. These funds must be used in compliance with federal Treasury guidance and must be spent between March 1, 2020, and December 30, 2020.

***AWARDS AND ACKNOWLEDGEMENTS***

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 CAFR for the fiscal year ended June 30, 2019. This was the twenty-third 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 CAFR. 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 are evaluating whether our current CAFR continues to meet the Certificate of Achievement Program's requirements, and intend to submit it to the GFOA to determine its eligibility for another certificate.

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,

Robert Jaros

Robert Jaros, CPA, MBA, JD
Colorado State Controller

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**State of Colorado**

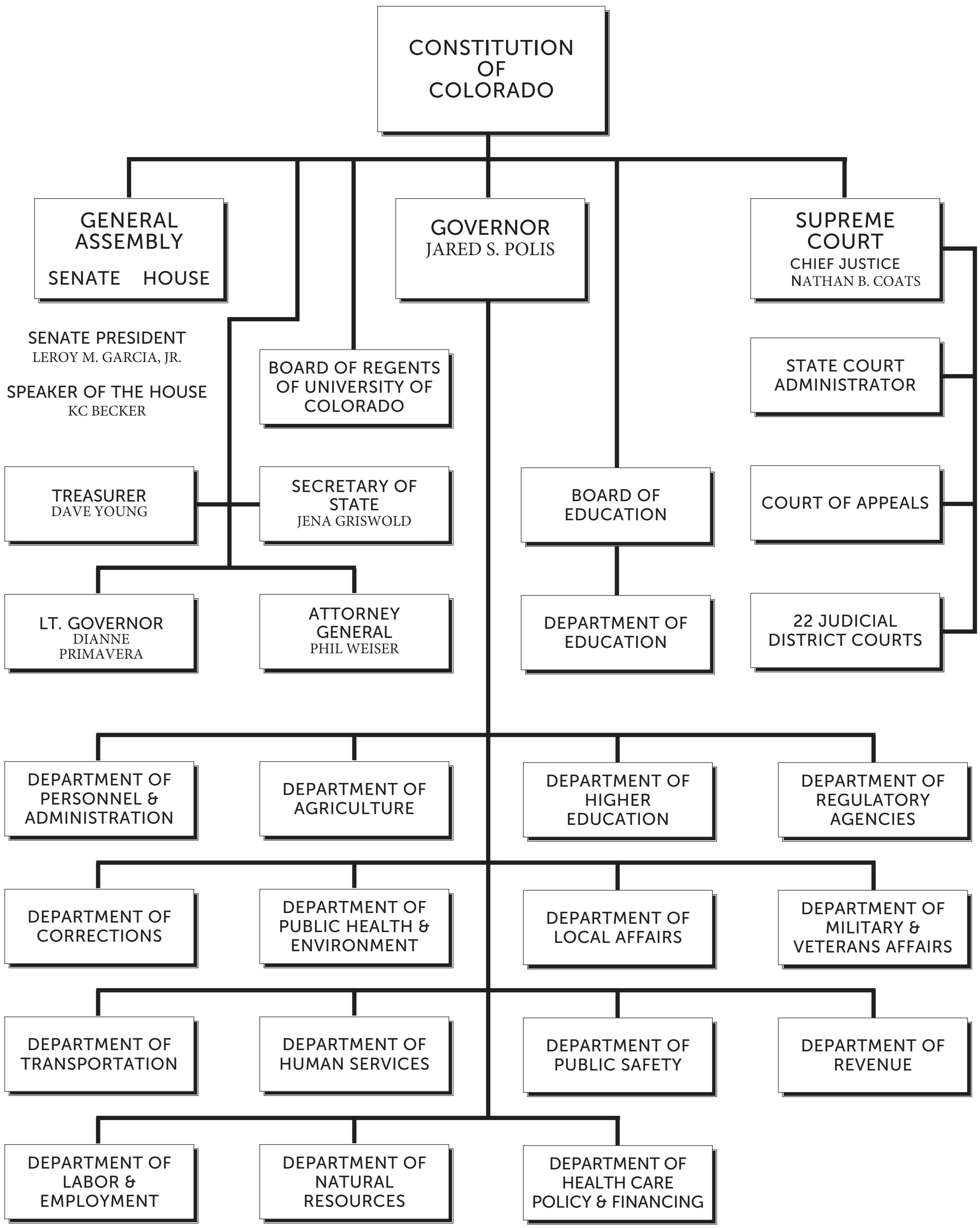
For its Comprehensive Annual Financial Report For the Fiscal Year Ended

June 30, 2019

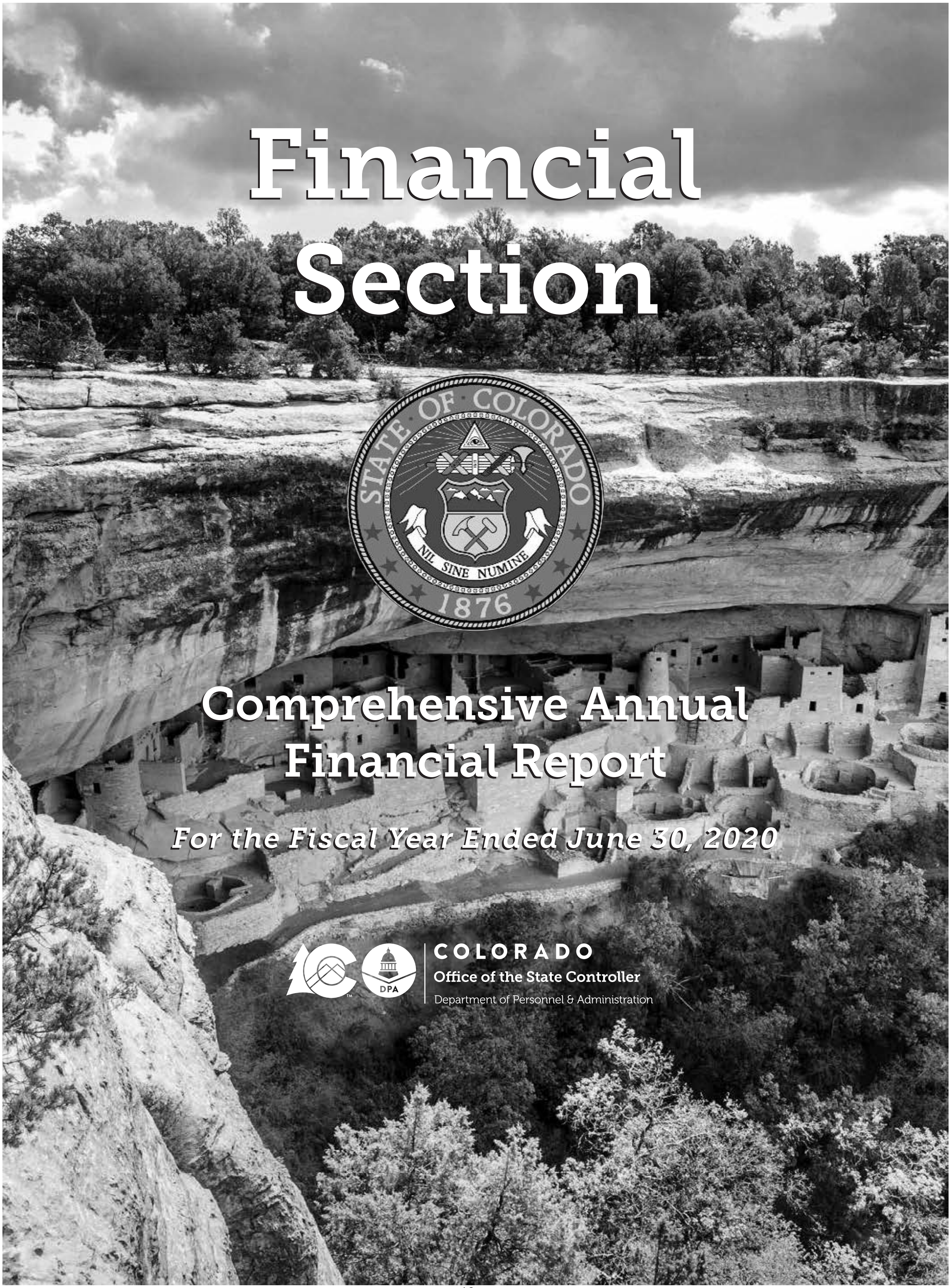
Christopher P. Morrill

Executive Director/CEO

# PRINCIPAL ORGANIZATIONS AND KEY OFFICIALS



# Financial Section



## Comprehensive Annual Financial Report

*For the Fiscal Year Ended June 30, 2020*

COLORADO
Office of the State Controller
Department of Personnel & Administration

Office of the State Auditor

Dianne E. Ray, CPA
State Auditor

*INDEPENDENT AUDITOR'S REPORT*

Members of the Legislative Audit Committee:

REPORT ON THE FINANCIAL STATEMENTS

We were engaged to audit 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 (State), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents. We have also audited the State's budgetary comparison schedule—general fund component (schedule) and the related note for the Fiscal Year Ended June 30, 2020, as displayed in the State's required supplementary information section.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The State's management is responsible for the preparation and fair presentation of these financial statements and schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements and schedule that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. 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

We Set the Standard for Good Government

1525 SHERMAN STREET, 7TH FLOOR, DENVER, COLORADO 80203-1700
PHONE: 303.869.2800 FAX 303.896.3060

financial statements are free from material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Unemployment Insurance Fund and on Business-Type Activities.

We did not audit the financial statements of the discretely presented component units identified in Note 1; or the University Physicians Inc., DBA CU Medicine (CU Medicine); a blended component unit, which represent the following:

| PERCENTAGE OF FINANCIAL STATEMENTS AUDITED BY OTHER AUDITORS | | | |
|---|---|---|---|
| OPINION UNIT/DEPARTMENT | ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | NET POSITION | REVENUES, ADDITIONS, AND OTHER FINANCING SOURCES |
| Aggregate Discretely Presented Component Units | 100% | 100% | 100% |
| Fund Statements–Proprietary Funds | | | |
| Higher Education Institutions–Major Fund | | | |
| CU Medicine | 6% | 25% | 2% |
| Government-wide statements | | | |
| Business-type activities | | | |
| CU Medicine | 4% | 15% | 1% |

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts and disclosures included for those discretely presented component units and for CU Medicine, 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 from material misstatement. The financial statements of the University of Colorado Foundation, the Statewide Internet Portal Authority, and the Denver Metropolitan Major League Baseball Stadium District, which are discretely presented component units, 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and schedule.

Except for the matter described in the Basis for Disclaimer of Opinion paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## SUMMARY OF OPINIONS

| OPINION UNIT | TYPE OF OPINION |
|---|---|
| Governmental Activities | Unmodified |
| Business-Type Activities | Disclaimer |
| Aggregate Discretely Presented Component Units | Unmodified |
| General Fund | Unmodified |
| Federal Special Revenue Fund | Unmodified |
| Highway Users Tax Fund | Unmodified |
| Higher Education Institutions Fund | Unmodified |
| Healthcare Affordability Fund | Unmodified |
| Transportation Enterprise Fund | Unmodified |
| Unemployment Insurance Fund | Disclaimer |
| Aggregate Remaining Fund Information | Unmodified |

## BASIS FOR DISCLAIMER OF OPINION ON THE UNEMPLOYMENT INSURANCE FUND AND BUSINESS-TYPE ACTIVITIES

The State of Colorado did not have an adequate methodology to substantiate the estimated amount of receivables and payables within the Unemployment Insurance Fund of $510 million and $872 million, respectively, as of June 30, 2020. The receivable balance includes potential overpayments and comprises 54% of total assets of the Unemployment Insurance

Fund, and 3% of Business-Type Activities. The payable balance includes potential claims outstanding at year-end and comprises 92% of total liabilities of the Unemployment Insurance Fund and 7% of the Business-Type Activities. As of June 30, 2020, and as of the date of this report, a significant backlog of unprocessed and unadjudicated unemployment insurance claims existed which may represent overpayments due to errors and/or fraud. The State's records do not permit us, nor is it practical to extend or apply other auditing procedures, to obtain sufficient appropriate audit evidence to conclude that the receivable and payable balances in the Unemployment Insurance Fund and Business-Type Activities were free of material misstatement. As a result of these matters, we were unable to determine whether further audit adjustments may have been necessary in respect to the elements making up the statements of net position, statement of activities, the statement of revenues, expenses and changes in fund net position for proprietary funds, or the statement of cash flows for proprietary funds.

## DISCLAIMER OF OPINIONS

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Unemployment Insurance Fund and Business-Type Activities" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions on the financial statements for the Unemployment Insurance Fund and Business-Type Activities of the State of Colorado. Accordingly, we do not express an opinion on these financial statements.

## UNMODIFIED OPINIONS ON THE GOVERNMENTAL ACTIVITIES, MAJOR FUNDS EXCEPT THE UNEMPLOYMENT INSURANCE FUND, AGGREGATE DISCRETELY PRESENTED COMPONENT UNITS, AND AGGREGATE REMAINING FUND INFORMATION

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund except the Unemployment Insurance Fund, and the aggregate remaining fund information, as well as the budgetary comparison schedule—general fund component of the State of Colorado, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## EMPHASIS OF MATTER

### *Change in Reporting Entity*

As discussed in Note 15 to the financial statements, the State included the Statewide Internet Portal Authority in its reporting entity. This change was based on a reevaluation of financial significance, and is in accordance with other guidance. Our opinion is not modified with respect to this matter.

## OTHER MATTERS

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

| LOCATION OF REQUIRED SUPPLEMENTARY INFORMATION | |
|---|---|
| REQUIRED SUPPLEMENTARY INFORMATION | PAGES |
| Management's discussion and analysis | 27-44 |
| Budgetary comparison schedules | 170-175 |
| Notes to required supplementary information | 176-185 |
| Budgetary comparison schedule-general fund component | 186-188 |

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, budgetary comparison schedules, and notes to required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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, combining nonmajor fund financial statements, budget and actual schedules—budgetary basis non-appropriated, schedule of TABOR revenue and computations, and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The introductory section, budget and actual schedules—budgetary basis non-appropriated, and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

We were engaged for the purpose of forming an opinion on the basic financial statements as a whole. The combining nonmajor fund financial statements and schedule of TABOR revenue and computations are presented for the purposes of additional analysis and are not a required part of the financial statements. Based on the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, it is inappropriate to, and we do not, express an opinion on the supplementary information referred to above.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards,* we will issue a separate report dated March 5, 2021, on our consideration of the State's internal control over financial reporting and on 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 internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance and should be read in conjunction with this report in considering the results of the audit.

Denver, Colorado
March 5, 2021

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## INTRODUCTION

The following discussion and analysis is supplementary information required by the Governmental Accounting Standards Board (GASB), and 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.

## 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.

### Government-wide Financial 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, liabilities, deferred inflows, and deferred outflows on the *Statement of Net Position* 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 Position* shows the financial position of the State at the end of the Fiscal Year. Net position measures the difference between assets and deferred outflows and liabilities and deferred inflows. Restrictions reported in net position indicate that certain assets, net of the related liabilities, can only be used for specified purposes. Increases in total net position from year to year indicate the State is better off financially, while decreases in total net position may or may not indicate the opposite.

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 Position" 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 Position,* 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 1.

**Fund-Level Financial 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 differing basis of accounting used in fund statements compared to the government-wide statements. Funds are balanced sets of accounts tracking activities that are legally defined or are prescribed by generally accepted accounting principles. Funds are reported 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 statements, each fund type has a pair of statements that show financial position and activities of the fund; a statement showing cash flows is also presented for the proprietary fund type.

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

- Proprietary Funds – Proprietary fund type accounting is similar to that used by businesses in the private sector. It is used for the State's Enterprise Funds and Internal Service Funds. Enterprise Funds generally sell to external customers while Internal Service Funds generally charge other State agencies for goods or services. These funds are presented under the economic resources measurement focus, which reports all assets and liabilities. Accrual accounting is used, which results in revenues recognized when they are earned and expenses reported when the related liability is incurred. Because this is the same perspective and basis of accounting used on the government-wide statements, Enterprise Fund information flows directly to the business-type activities column on the government-wide statements without adjustment. Internal Service Fund assets and liabilities are reported in the governmental activities on the government-wide *Statement of Net Position* because Internal Service Funds primarily serve governmental funds. The net revenue or net expense of Internal Service Funds is reported as an increase or reduction to program expenses on the government-wide *Statement of Activities.* On the fund-level statements, nonmajor Enterprise Funds are aggregated in a single column, as are all Internal Service Funds.

- Fiduciary Funds – These funds report resources held under trust agreements for other individuals, organizations, or governments. The assets reported are not available to finance the State's programs, and therefore, these funds are not included in the government-wide statements. The State's fiduciary funds include Pension and Other Employee Benefits Trust Funds, several Private-Purpose Trust Funds, and several Agency Funds. Agency Funds track only assets and liabilities and do not report revenues and expenses on a statement of operations. All Fiduciary Funds are reported using the accrual basis of accounting.

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

**Notes to Basic Financial Statements**

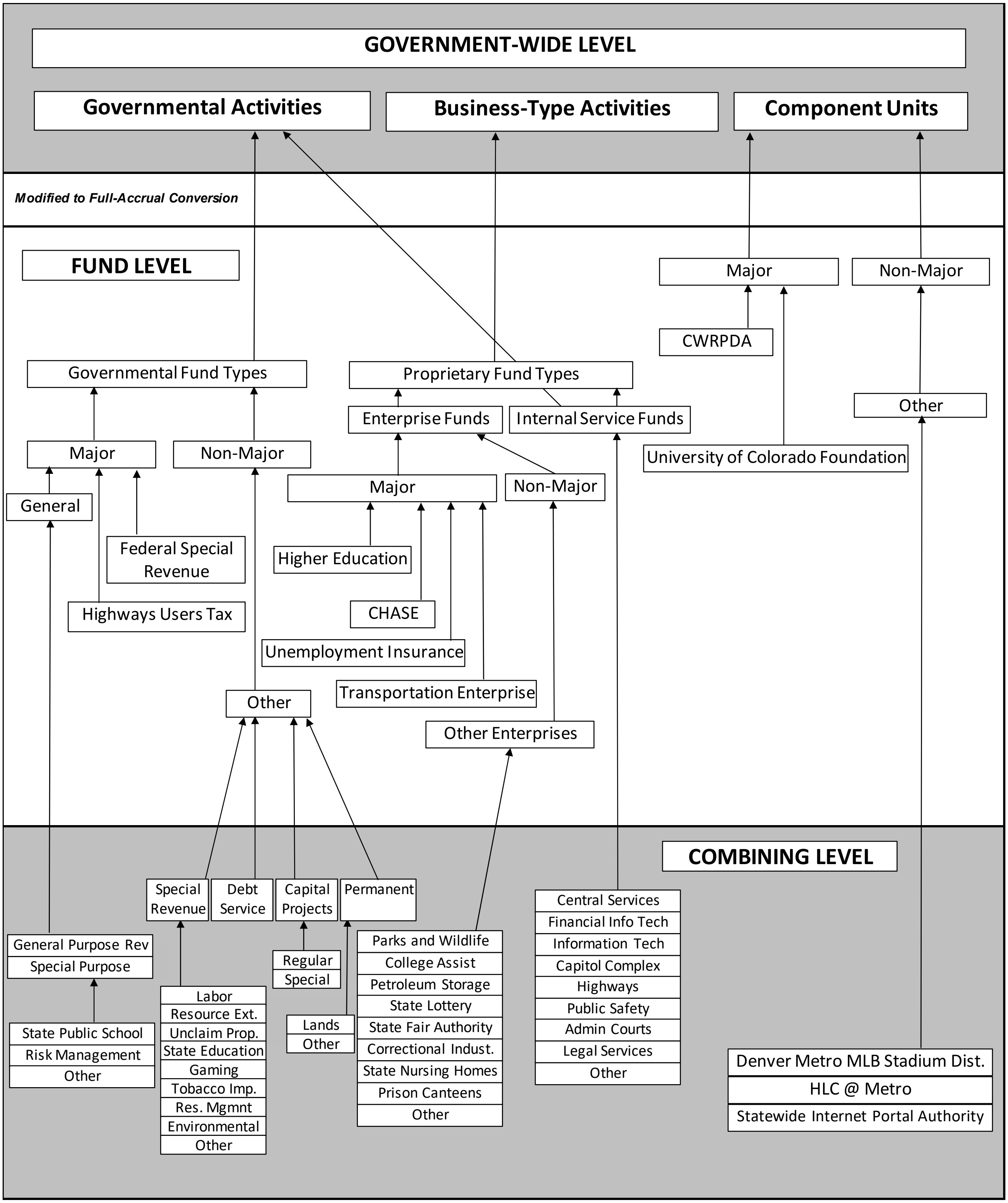
The notes to the financial statements are an integral part of the basic financial statements. They explain amounts shown in the financial statements and provide additional information that is essential to fair presentation.

**Required Supplementary Information (RSI)**

Generally accepted accounting principles require certain supplementary information to be presented in this Management's Discussion and Analysis and 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, defined benefit pension plan 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 because those resources are not available to support the State's programs.


GOVERNMENT-WIDE LEVEL
Governmental Activities
Business-Type Activities
Component Units
Modified to Full-Accrual Conversion
FUND LEVEL
Major
Non-Major
CWRPDA
Governmental Fund Types
Proprietary Fund Types
Other
Enterprise Funds
Internal Service Funds
Major
Non-Major
University of Colorado Foundation
Major
Non-Major
General
Federal Special Revenue
Higher Education
Highways Users Tax
CHASE
Unemployment Insurance
Transportation Enterprise
Other
Other Enterprises
COMBINING LEVEL
Special Revenue
Debt Service
Capital Projects
Permanent
Central Services
Financial Info Tech
Information Tech
Capitol Complex
Highways
Public Safety
Admin Courts
Legal Services
Other
Parks and Wildlife
College Assist
Petroleum Storage
State Lottery
State Fair Authority
Correctional Indust.
State Nursing Homes
Prison Canteens
Other
General Purpose Rev
Special Purpose
Regular
Special
State Public School
Risk Management
Other
Labor
Resource Ext.
Unclaim Prop.
State Education
Gaming
Tobacco Imp.
Res. Mgmnt
Environmental
Other
Lands
Other
Denver Metro MLB Stadium Dist.
HLC @ Metro
Statewide Internet Portal Authority

## OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

### Government-wide Statement of Net Position

The amount of total net position is one measure of the health of the State's finances, and serves as a useful indicator of a government's financial position over time. 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. The State's combined total net position of both governmental and business-type activities increased 15.8 percent from the prior fiscal year by $1,970.8 million from $12,433.9 million in Fiscal Year 2019, to $14,404.7 million in Fiscal Year 2020.

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

(Amounts in Thousands)

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | FY 2020 | FY 2019 | FY 2020 | FY 2019 | FY 2020 | FY 2019 |
| Noncapital Assets | $ 13,972,724 | $ 12,015,284 | $ 8,520,942 | $ 8,014,060 | $ 22,493,666 | $ 20,029,344 |
| Capital Assets | 12,596,264 | 12,222,923 | 10,821,616 | 10,294,533 | 23,417,880 | 22,517,456 |
| Total Assets | 26,568,988 | 24,238,207 | 19,342,558 | 18,308,593 | 45,911,546 | 42,546,800 |
| Deferred Outflow of Resources | 2,348,666 | 4,421,051 | 534,121 | 931,725 | 2,882,787 | 5,352,776 |
| Current Liabilities | 4,375,162 | 3,276,476 | 2,896,932 | 1,676,909 | 7,272,094 | 4,953,385 |
| Noncurrent Liabilities | 11,547,135 | 12,470,991 | 9,947,640 | 10,561,313 | 21,494,775 | 23,032,304 |
| Total Liabilities | 15,922,297 | 15,747,467 | 12,844,572 | 12,238,222 | 28,766,869 | 27,985,689 |
| Deferred Inflow of Resources | 3,704,384 | 4,997,905 | 1,918,407 | 2,482,076 | 5,622,791 | 7,479,981 |
| Net Investment in Capital Assets | 9,648,006 | 10,327,956 | 5,923,907 | 5,618,074 | 15,571,913 | 15,946,030 |
| Restricted | 3,900,541 | 3,797,509 | 1,301,620 | 2,619,832 | 5,202,161 | 6,417,341 |
| Unrestricted | (4,257,574) | (6,211,579) | (2,111,827) | (3,717,886) | (6,369,401) | (9,929,465) |
| Total Net Position | $ 9,290,973 | $ 7,913,886 | $ 5,113,700 | $ 4,520,020 | $ 14,404,673 | $ 12,433,906 |

The State's net investment in capital assets of $15,571.9 million for the total primary government (governmental and business-type activities combined), represents a decrease of $374.1 million compared to the prior fiscal year. Net investment in capital assets is a noncurrent asset, and therefore not available to meet related debt service requirements that must be paid from current revenues or available liquid assets.

Assets restricted by the State Constitution or external parties account for another $5,202.2 million of total primary government net position. Restricted assets decreased by $1,215.2 million relative to the prior fiscal year. In general, these restrictions dictate how the related assets must be used by the State, and therefore, may not be available for use by any of the State's programs. Examples of restrictions on the use of net position include the constitutionally-mandated TABOR reserve, State Education Fund, Highway Users Tax Fund, and resources pledged to debt service.

The unrestricted component of net position for the total primary government is a negative $6,369.4 million for the fiscal year ended June 30, 2020, which represents an increase of $3,560.1 million from the prior fiscal year. The increase is primarily due to increases in taxes receivable, and decreases of the net pension and other postemployment benefit liabilities during the fiscal year related to the State Division Trust and Health Care Trust Funds administered by PERA. The State reports a negative or deficit amount for the unrestricted component only on a government-wide basis, not at the level of any fund. The State's current liabilities reported on the Statement of Net Position increased by $2,318.7 million over the prior fiscal year, primarily due to advances received from the federal government related to COVID-19 congressional response packages. Noncurrent liabilities decreased by $1,537.5 million from the prior fiscal year. The decrease is primarily attributed to the decrease in the net pension liability as compared to the prior fiscal year, due to the effect of the portion of the annual $225.0 million distribution attributable to the State and Judicial

Division Trust Funds, directly made to the Public Employee's Retirement Association as required by Senate Bill 18-200. Other Noncurrent liabilities, such as bonds and certificates of participation payable, have related capital assets while the net pension liability does not.

**Governmental Activities:**

Overall, total assets and deferred outflows of resources of the State's governmental activities exceeded total liabilities and deferred inflows of resources by $9,291.0 million, an increase in net position of $1,377.1 million as compared to the prior fiscal year amount of $7,913.9 million. Total cash (restricted and unrestricted) balances decreased by $456.9 million. Taxes Receivable, net of refunds payable and Other Receivables, net, increased by $902.2 million, while total investments (restricted and unrestricted) increased by $501.5 million. Capital assets, net of accumulated depreciation, increased by $373.3 million due to various capital projects throughout the State.

Governmental activities' liabilities for notes, bonds, and Certificates of Participation at June 30, 2020 were $2,908.2 million as compared to the prior fiscal year amount of $2,159.4 million – an increase of $748.8 million. These liabilities represent 39.1 percent of unrestricted financial assets (cash, receivables, and investments), and 10.9 percent of total assets of governmental activities. The governmental activities debt is primarily related to infrastructure, state buildings, and public school buildings. The infrastructure debt is secured by future federal revenues and state highway revenues, state building debt by gaming distributions and judicial fees, and public school buildings debt by School Trust Land revenues.

Governmental activities had a decrease of $680.0 million in net investment in capital assets attributable primarily to the $500.0 million issuance of State of Colorado Rural Colorado Certificates of Participation, Series 2020A, and $230.5 million in Building Excellent Schools Today Series 2019P and 2019Q refunding Certificates of Participation. Restricted net position for governmental activities increased by $103.0 million, and Unrestricted net position increased $1,954.0 million from the prior year primarily due to the decrease in net pension liability.

**Business-Type Activities:**

Overall, total assets and deferred outflows of resources of the State's business-type activities exceeded total liabilities and deferred inflows of resources by $5,113.7 million – an increase in net position of $593.7 million as compared to the prior year amount of $4,520.0 million. The increase is primarily attributed to increases in capital assets of $527.1 million, and a decrease in the net pension liability of $666.4 million as compared to the prior fiscal year. The decrease was due to the effect of the portion of the annual $225.0 million distribution attributable to the State Division Trust Fund, directly made to the Public Employee's Retirement Association as required by Senate Bill 18-200.

The State's Enterprise Funds have notes, bonds, and Certificates of Participation outstanding that total $5,096.8 million, as compared to the prior fiscal year amount of $4,953.6 million – an increase of $143.2 million. The majority of the outstanding revenue bonds is related to Higher Education Institutions and is invested in capital assets that generate a future revenue stream to service the related debt. The Division of Unemployment Insurance also has bonds outstanding secured by future employer insurance premiums.

Of the total net position for business-type activities, $5,923.9 million was for investment in capital assets, and $1,301.6 million is restricted for the purposes of various funds, which resulted in an unrestricted deficit of $2,111.8 million. The deficit is primarily a result of the initial recognition of the net pension liability in Fiscal Year 2015, and the recognition of the net OPEB liability in Fiscal Year 2018. Business-type activities reported a $305.8 million increase in net investment in capital assets, primarily due to the construction of capital asset projects by institutions of higher education and the Other Enterprise Funds. Restricted net position for business-type activities reported a decrease of $1,318.2 million from the prior fiscal year due to decreases in restricted cash and investments.

## Government-wide Statement of Activities

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

(Amounts in Thousands)

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| Programs/Functions | FY 2020 | FY 2019 | FY 2020 | FY 2019 | FY 2020 | FY 2019 |
| Program Revenues: | | | | | | |
| Charges for Services | $ 1,555,332 | $ 1,606,484 | $ 8,039,922 | $ 7,933,992 | $ 9,595,254 | $ 9,540,476 |
| Operating Grants and Contributions | 7,788,096 | 6,822,479 | 8,374,699 | 5,119,323 | 16,162,795 | 11,941,802 |
| Capital Grants and Contributions | 617,224 | 428,332 | 123,273 | 62,609 | 740,497 | 490,941 |
| General Revenues: | | | | | - | - |
| Taxes | 13,271,516 | 13,108,185 | - | - | 13,271,516 | 13,108,185 |
| Restricted Taxes | 1,271,553 | 1,348,050 | - | - | 1,271,553 | 1,348,050 |
| Unrestricted Investment Earnings | 37,599 | 30,196 | - | - | 37,599 | 30,196 |
| Other General Revenues | 95,460 | 95,051 | - | - | 95,460 | 95,051 |
| Total Revenues | 24,636,780 | 23,438,777 | 16,537,894 | 13,115,924 | 41,174,674 | 36,554,701 |
| Expenses: | | | | | | |
| General Government | 1,214,677 | 1,493,871 | - | - | 1,214,677 | 1,493,871 |
| Business, Community, and Consumer Affairs | 713,827 | 734,786 | - | - | 713,827 | 734,786 |
| Education | 6,875,955 | 6,469,072 | - | - | 6,875,955 | 6,469,072 |
| Health and Rehabilitation | 836,872 | 935,044 | - | - | 836,872 | 935,044 |
| Justice | 1,734,902 | 1,970,515 | - | - | 1,734,902 | 1,970,515 |
| Natural Resources | 90,248 | 123,036 | - | - | 90,248 | 123,036 |
| Social Assistance | 9,430,179 | 8,589,168 | - | - | 9,430,179 | 8,589,168 |
| Transportation | 1,884,872 | 1,875,438 | - | - | 1,884,872 | 1,875,438 |
| Payments to School Districts | - | | - | - | - | - |
| Payments to Other Governments | - | | - | - | - | - |
| Interest on Debt | 103,339 | 109,075 | - | - | 103,339 | 109,075 |
| Higher Education Institutions | - | | 6,993,311 | 7,111,041 | 6,993,311 | 7,111,041 |
| Healthcare Affordability | | | 3,515,207 | 3,414,018 | | 3,414,018 |
| Unemployment Insurance | - | | 4,765,139 | 385,192 | 4,765,139 | 385,192 |
| Lottery | - | | 582,721 | 580,808 | 582,721 | 580,808 |
| Parks and Wildlife | - | | 166,782 | 184,870 | 166,782 | 184,870 |
| College Assist | - | | 201,200 | 222,726 | 201,200 | 222,726 |
| Other Business-Type Activities | - | | 128,606 | 212,190 | 128,606 | 212,190 |
| Total Expenses | 22,884,871 | 22,300,005 | 16,352,966 | 12,110,845 | 39,237,837 | 34,410,850 |
| Excess (Deficiency) Before Contributions, Transfers, and Other Items | 1,751,909 | 1,138,772 | 184,928 | 1,005,079 | 1,936,837 | 2,143,851 |
| Contributions, Transfers, and Other Items: | | | | | | |
| Transfers (Out) In | (395,097) | (279,131) | 395,097 | 279,131 | - | - |
| Permanent Fund Additions | 580 | 1,062 | - | - | 580 | 1,062 |
| Internal Capital Contributions | - | - | - | 57,541 | - | 57,541 |
| Special Item | - | - | - | - | - | - |
| Total Contributions, Transfers, and Other Items | (394,517) | (278,069) | 395,097 | 336,672 | 580 | 58,603 |
| Total Changes in Net Position | 1,357,392 | 860,703 | 580,025 | 1,341,751 | 1,937,417 | 2,202,454 |
| Net Position - Beginning | 7,913,886 | 7,029,957 | 4,520,020 | 3,170,907 | 12,433,906 | 10,200,864 |
| Prior Period Adjustment (See Note 15A) | 19,695 | 23,226 | 11,209 | 7,362 | 30,904 | 30,588 |
| Accounting Changes | - | - | 2,446 | - | 2,446 | - |
| Net Position - Ending | $ 9,290,973 | $ 7,913,886 | $ 5,113,700 | $ 4,520,020 | $ 14,404,673 | $ 12,433,906 |

For governmental activities, total revenues exceeded total expenses and transfers-out, which resulted in an increase to net position of $1,357.4 million. Program revenues for governmental activities increased by $1,103.4 million (12.5 percent), and General revenues for governmental activities increased by $94.6 million (0.6 percent). Total expenses for governmental activities increased by $584.9 million (2.6 percent) from the prior fiscal year, due to increases in education and social assistance activities – offset by decreases in spending for general government, health and rehabilitation, and natural resources.

Business-type activities' total revenues and transfers-in exceeded total expenses, and internal capital contributions by $580.0 million, resulting in an increase in net position. From the prior year to the current year, program revenue from business-type activities increased by $3,422.0 million (26.1 percent), and expenses also increased by $4,242.1 million (35.0 percent) due to significant increases in unemployment insurance.

## FUND-LEVEL FINANCIAL ANALYSIS

### Governmental Funds:

Governmental fund assets exceeded liabilities resulting in total fund balance of $9,491.7 million as compared to the prior fiscal year amount of $8,578.9 million. The fund balance for all governmental funds increased from the prior fiscal year by $912.8 million, which is comprised mainly of increases in the General Fund and Other Governmental Funds of $338.7 million and $617.1 million, respectively. In addition, the State reported a new fund in Fiscal Year 2020 – the Federal Special Revenue Fund – resulting from federal relief received due to the COVID-19 pandemic. Overall, the increase in fund balance for all governmental funds in total was primarily attributable to increases in individual income tax revenue, and federal grants and contracts during Fiscal Year 2020.

### General Fund

The ending total fund balance of the General Fund, as measured by generally accepted accounting principles (GAAP), was $2,401.6 million. General Fund revenues increased overall by approximately $1,403.3 million (7.6 percent) over the prior year, and expenditures increased overall by $1,345.2 million (7.6 percent) relative to the prior fiscal year, resulting in $739.6 million excess of revenues over expenditures for Fiscal Year 2020. The overall fund balance of the General Fund only increased by $338.7 million due the offset of net transfers of ($585.8 million). Individual and fiduciary income taxes of $8,056.1 million, sales and use taxes of $3,652.0 million, and federal grants and contracts of $6,690.3 million are the largest sources of revenue comprising 92.5 percent of total revenue of $19,899.5 million. Overall expenditures increased from the prior year due to moderate spending increases across all government functions.

### General Fund Components & Legal Reserve Requirement

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

Of the overall fund balance of the General Fund, $1,322.6 million (55.1 percent) was attributable to the General Purpose Revenue Fund, including non-spendable, committed, and assigned amounts. The General Purpose Revenue Fund increased by $375.0 million from the prior fiscal year, which was attributable to increases in taxes and federal revenues during Fiscal Year 2020. The General Purpose Revenue Fund had a minimal unrestricted cash and pooled cash balance at the end of Fiscal Year 2020 due to the statewide income tax filing deadline extension to July 2020. This delay resulted in less overall cash collections than in normal fiscal years.

State law requires that the General Purpose Revenue Fund portion of the General Fund maintain a reserve of a percentage of General Purpose Revenue Fund appropriations. Section 24-75-201.1 C.R.S. stipulates the reserve requirement as 3.07 percent of the amount appropriated for expenditure from the general fund for Fiscal Year 2020. The reserve for Fiscal Year 2020 is $361.3 million. The reserve amount is included in the Budgetary Comparison Schedule for the General Fund – General Purpose Revenue Component, presented as Required Supplementary Information in the CAFR. Beginning and ending budgetary fund balance as show on the Schedule are net of the required reserve.

### Federal Special Revenue Fund

The Federal Special Revenue Fund is new for Fiscal Year 2020, which consists of the Coronavirus Aid, Relief, and Economic Security (CARES) Act Fund and the Coronavirus Emergency Supplemental Fund. The ending total fund balance of the Federal Special Revenue Fund was $21.4 million. The fund had $597.3 million in cash and restricted cash, and $413.6 million in prepaids, advances, and deposits from federal aid related to COVID-19 relief. The State did not expend these funds as of June 30, 2020; therefore, the State recorded $926.1 million in unearned revenue. Fund revenues totaled $221.4 million, and expenditures totaled $200.0 million, resulting in an excess of revenues over expenditures for Fiscal Year 2020. The main sources of revenue for the fund were federal grants and contracts of $200.0 million, and investment income of $21.4 million; the main expenditures of the fund consist of outflows related to school districts and cities of $113.1 million and $56.7 million, respectively.

### Highway Users Tax

The Highway Users Tax Fund qualified as a new major fund for Fiscal Year 2020. The ending total fund balance of the Highway Users Tax Fund was $978.4 million, which represents a 6.2 percent decrease over the prior year fund balance of $1,042.7 million. Total cash (restricted and unrestricted) decrease by 8.9 percent from $906.2 million in the prior fiscal year to $825.1 million in Fiscal Year 2020. Fund revenues totaled $1,985.9 million, and expenditures totaled $2,444.9 million, resulting in an excess of expenditures over revenues of $459.0 million for Fiscal Year 2020. Fund revenues increased 5.8 percent, while fund expenditures also increased 12.5 percent from the prior fiscal year. The main sources of revenue for the fund were federal grants and contracts of $660.7 million, and excise taxes of $624.5 million; the main expenditures of the fund totaling $1,548.9 million consist of transportation-related projects and highway maintenance.

## Proprietary Funds:

### Higher Education Institutions

The net position of the Higher Education Institutions fund increased from the prior fiscal year by $1,418.8 million, or 84.2 percent, which generally resulted from increases in various operating revenue sources, reductions in overall spending, and increases in nonoperating revenues including investment income, federal grants and contracts, and transfers-in from other funds. The higher education fund has a variety of revenue and funding sources, which, overall, were relatively consistent with the prior fiscal year. Operating revenues increased by $170.7 million mainly due to increases in tuition and fees, federal grants and contracts, and sales of goods and services. Overall, total operating revenues increased by 2.6 percent, while total operating expenses decreased by 1.7 percent. Higher Education Institutions received capital contributions of $114.2 million and $120.4 million in Fiscal Years 2020 and 2019, respectively. Transfers-in to the Higher Education Institutions fund totaled $481.0 million for Fiscal Year 2020, an increase of $105.4 million compared to the prior fiscal year. Transfers-in are primarily from the General Fund for student financial aid and vocational training and from the Capital Projects Fund for capital construction.

### Healthcare Affordability

During the Fiscal Year 2017 legislative session, the general assembly passed Senate Bill 17-267 – Sustainability of Rural Colorado – which repealed the existing hospital provider fee program effective for Fiscal Year 2018. Section 17 of the bill created the new Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) within the Department of Healthcare Policy and Financing. The fund qualifies as a major enterprise fund based on the amount of revenues in the fund related to total revenues of all enterprise funds. As of June 30, 2020, net position was $74.9 million, an increase of $66.9 million from the prior fiscal year. Operating revenues of the fund totaled $3,587.3 million, which mainly consists of federal grants and contracts of $2,650.2 million, and fees charged to healthcare providers of $936.4 million. Operating revenues increased 4.7 percent by approximately $160.7 million from the prior year. Operating expenses of the fund totaled $3,515.2 million, which mainly consisted of payments to hospital providers for Medicaid services. Because CHASE is an enterprise for purposes of the Taxpayer's Bill of Rights (TABOR), its revenue does not count against the state fiscal year spending limit (Referendum C cap).

## Transportation Enterprise

The Transportation Enterprise met the classification as a major fund for Fiscal Year 2020. The Transportation Enterprise consists of the High Performance Transportation Enterprise and the Statewide Bridge Enterprise at the Colorado Department of Transportation. The ending total fund balance of the Transportation Enterprise was $1,360.6 million, which was an increase of 18.0 percent from the prior year net position of $1,153.1 million. Enterprise revenues totaled $143.6 million, and expenditures totaled $28.4 million, resulting in an excess of revenues over expenses for Fiscal Year 2020. The main sources of revenue for the Enterprise were sales of goods and services, and federal grants and contracts; the main expenses of the Enterprise consist of depreciation and amortization of capital assets, and outflows related to salaries and fringe benefits, and operating and travel.

## Unemployment Insurance

The Unemployment Enterprise met the classification as a major fund for Fiscal Year 2020, which consists of the Employee Leasing Company Certification, Employee Misclassification Advisory Opinion, Employment and Training Technology, Unemployment Bond Repayment, Unemployment Insurance, and the Unemployment Revenue Funds. The ending total fund balance was for Fiscal Year 2020 was a deficit of $1.5 million, which was a decrease of $1,279.8 million from the prior year net position of $1,278.3 million. Fund revenues totaled $3,457.2 million, and expenditures totaled $4,764.5 million, resulting in an excess of expenses over revenues for Fiscal Year 2020. The deficit fund balance was caused by significant increases to accrued expenses and bad debt expense, due to overpayments and suspected fraud related to unemployment benefit claims paid in July 2020 (Fiscal Year 2021) that were related to Fiscal Year 2020. The main sources of revenue for the fund were federal grants and contracts, and insurance premiums; the main expenses of the fund consist of unemployment benefit payments and bad debt expense.

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

Fiscal Year 2020 is the twenty-seventh year of State operations under Article X, Section 20 of the State Constitution revenue limitations, also known as the Taxpayer Bill of Rights (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-Greeley CPI-Urban index. The exceptions include revenues from 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 2006 through Fiscal Year 2010. 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. However, refunds to taxpayers related to TABOR have historically been paid from the General Fund. Therefore, the TABOR revenue, expenditure, debt, and tax-increase limitations have historically been significant factors in the changing fiscal status of the State's General Fund. The original decision to pay TABOR refunds out of the General Fund continues to be important under Referendum C because revenues in excess of the TABOR 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 was not in effect, the State's ability to retain revenues was 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.

After the Referendum C five-year excess revenue retention period that encompassed Fiscal Year 2006 through Fiscal Year 2010, the State is subject to an Excess State Revenue Cap (ESRC) starting in Fiscal Year 2011. Calculation of the TABOR retention limit continues to apply, but the ESRC replaces it as the limit that triggers taxpayer refunds.

During the 2017 legislative session, the general assembly passed Senate Bill 17-267, which made changes to the calculation of the ESRC, and also revised the TABOR refunding mechanism. Section 11 of the bill permanently reduces the Referendum C cap by reducing the Fiscal Year 2018 cap by $200 million, and specifying that the base amount for calculating the cap for all future state fiscal years is the reduced Fiscal Year 2018 cap. As is the case under current law, the reduced cap is annually adjusted for inflation, the percentage change in state population, the qualification or disqualification of enterprises, and debt service changes. Section 24 of the bill specifies that for any state fiscal year commencing on or after July 1, 2017, for which revenue in excess of the reduced Referendum C cap is required to be refunded in accordance with TABOR, reimbursement for the property tax exemptions for qualifying seniors and disabled veterans that is paid by the state to local governments for the property tax year that commenced during the state fiscal year is a refund of such excess state revenue. The exemptions continue to be allowed at current levels and the state continues to reimburse local governments for local property tax revenue lost as a result of the exemptions regardless of whether or not there are excess state revenues. Section 27 prioritizes the new TABOR refund mechanism ahead of the existing temporary state income tax rate reduction refund and sales tax refund mechanisms as the first mechanism used to refund excess state revenue

For Fiscal Year 2020, State revenues subject to TABOR were $14,873.8 million, which was $82.6 million under the ESRC, and $2,624.8 million over the fiscal year spending limit. Revenue in excess of the ESRC must be refunded to the taxpayers in the next fiscal year including any remaining un-refunded revenues. Therefore, the total amount to be refunded in future fiscal years is $144.0 million. Absent Referendum C, the State would have been required to refund the amount exceeding the retention limit.

Additional information on TABOR – including Tax, Spending, and Debt Limitations – is found in Notes to the Financial Statements (Note 2B), and also in the Notes to the TABOR Schedule of Required Computations presented in the Supplementary Information section of the CAFR.

## ANALYSIS OF BUDGET VARIANCES

The following analysis is based on the Budgetary Comparison Schedule for the General Fund – General Purpose Revenue Component included in Required Supplementary Information section of the CAFR. That schedule isolates general-purpose revenues and expenditures funded from those revenues, and it is therefore the best source for identifying general-funded budget variances.

Differences Between Original and Final Budgets

The following list shows departments that had net changes in general-funded budgets greater than $5.0 million and the reasons for the change.

- Department of Education – the Department had a net increase of $8.2 million, mainly resulting from various special and supplemental bills, and roll forwards.

- Office of the Governor – the Office had a net decrease of $6.2 million resulting from Executive Order 2020 050 restrictions, and reducing budget to match revenue related to disaster recovery.

- Department of Health Care Policy and Financing – the Department had a net decrease of $196.3 million mainly due to decreases in health services related to supplemental House Bills 20-1246, 20-1360, and 20-1385.

- Department of Higher Education – the Department had a net decrease of $5.6 million resulting from Executive Order 2020 050, and other controller restrictions.

- Department of Human Services – the Department had a net decrease of $37.7 million from the passage of House Bills 20-1248 and 20-1360, impacting various health and welfare programs.

- Judicial Department – the Judicial Department had a net decrease of $10.0 million from the passage of House Bill 20-1249 and 20-1360 related to various activities including special projects, personal services, and legal representation.

- Department of Revenue – the Department had a net increase of $219.2 million primarily comprised of statutory retail marijuana retail sales tax transfers to the Older Coloradans program, the State Public School Fund, and the Marijuana Tax Cash Fund.

- Department of Treasury – the Department had a net decrease of $36.7 million due to statutory transfers to other funds, along with collateralization of SB17-267 lease purchase agreements.

Differences Between Final Budget and Actual Expenditures

In total, state departments reported general-funded appropriations reversions of $9.7 million for Merit Pay and $3.7 million for Legislative reversions. In addition, departments reverted $202.9 million to the General Fund for expenditures under the legally adopted final budget. 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 of General Fund reversions.

- Department of Corrections – the Department reverted $10.0 million, primarily comprised of payments to local jails, Hepatitis C treatment costs, pharmaceuticals purchases, and purchases of external medical services.

- Department of Education – the Department reverted $2.6 million, primarily comprised of $1.0 million related to the Grow Your Own Educator Program, and the remaining across multiple programs and budget lines.
- Governor's Office – the Governor's Office reverted $1.9 million mainly related to applications administration.

- Department of Public Health and Environment – the Department reverted $1.0 million across multiple programs and budget lines.

- Department of Human Services – the Department reverted $8.8 million across multiple programs and budget lines.

- Judicial Department – the Department reverted $12.1 million, primarily consisting of several appropriations including conflict of interest contracts, courthouse capital/infrastructure maintenance, mandated costs, and court-appointed counsel.

- Legislative Branch – the Legislative Branch reverted $1.2 million mainly related to the general assembly and legislative council activities.

- Department of Local Affairs – the Department reverted $1.1 million primarily related to Defense Counsel on first Appearance Grant Program, and Rural Economic Development Initiative Grants.

- Department of Public Safety – the Department reverted $4.4 million primarily related to community corrections placements.

- Department of Revenue – the Department reverted $22.0 million, primarily for old age pension.

- Department of Health Care Policy and Financing – the Department reverted $3.8 million across multiple programs and budget lines.

- Department of Treasury - the Department reverted $132.6 million, of which $130.4 million was related to the senior citizen and disabled veteran property tax exemption, and $2.2 million for reimbursements to county treasurers.

## CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The State's net investment in capital assets at June 30, 2020 was $15,571.9 million, as compared to $15,946.0 million in Fiscal Year 2019. Included in this amount were $18,328.4 million of net depreciable capital assets after reduction of $14,240.6 million for accumulated depreciation. Non-depreciable capital assets totaled $5,089.4 million – including land, construction in progress, non-depreciable infrastructure and other capital assets. The State added a net $900.4 million and $446.4 million of capital assets in Fiscal Years 2020 and 2019, respectively. Of the Fiscal Year 2020 additions, $373.3 million was recorded in governmental activities, and $527.1 million was recorded in business-type activities. General-purpose revenues funded $112.7 million of capital and controlled maintenance expenditures during Fiscal Year 2020, 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, 2020 and 2019, were as follows (see Note 5 for additional detail):

| (Amounts in Thousands) | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | FY 2020 | FY 2019 | FY 2020 | FY 2019 | FY 2020 | FY 2019 |
| Capital Assets Not Being Depreciated | | | | | | |
| Land and Land Improvements | $ 126,974 | $ 125,737 | $ 673,831 | $ 647,585 | $ 800,805 | $ 773,322 |
| Collections | 11,213 | 11,213 | 33,148 | 32,180 | 44,361 | 43,393 |
| Other Capital Assets | 12,347 | 2,136 | 15,461 | 15,461 | 27,808 | 17,597 |
| Construction in Progress | 1,548,817 | 957,814 | 1,529,265 | 1,162,309 | 3,078,082 | 2,120,123 |
| Infrastructure | 1,040,339 | 1,024,706 | 98,042 | 95,441 | 1,138,381 | 1,120,147 |
| Total Capital Assets Not Being Depreciated | 2,739,690 | 2,121,606 | 2,349,747 | 1,952,976 | 5,089,437 | 4,074,582 |
| Capital Assets Being Depreciated | | | | | | |
| Buildings and Related Improvements | 3,481,275 | 3,432,389 | 11,419,985 | 11,086,080 | 14,901,260 | 14,518,469 |
| Software | 578,925 | 541,439 | 240,501 | 220,640 | 819,426 | 762,079 |
| Vehicles and Equipment | 1,029,805 | 980,135 | 1,331,747 | 1,270,225 | 2,361,552 | 2,250,360 |
| Library Books, Collections, and Other Capital Assets | 42,638 | 42,815 | 632,974 | 612,387 | 675,612 | 655,202 |
| Infrastructure | 12,502,697 | 12,407,645 | 1,308,495 | 1,165,641 | 13,811,192 | 13,573,286 |
| Total Capital Assets Being Depreciated | 17,635,340 | 17,404,423 | 14,933,702 | 14,354,973 | 32,569,042 | 31,759,396 |
| Accumulated Depreciation | (7,778,766) | (7,303,106) | (6,461,833) | (6,013,416) | (14,240,599) | (13,316,522) |
| Total | $ 12,596,264 | $ 12,222,923 | $ 10,821,616 | $ 10,294,533 | $ 23,417,880 | $ 22,517,456 |

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, TABOR 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. The State has other forms of borrowing that are small in relation to the revenue bonds and COPs.

The schedule that follows shows the principal and interest that will be paid over the following thirty-five year period to retire the current borrowing for capital leases, bonds and COPs (see Note 11). Revenue bonds in this schedule include net payments on interest rate swap derivatives.

(Amounts in Thousands)

Fiscal Year 2020

| | Capital Leases | | Revenue Bonds | | Certificates of Participation | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| Governmental Activities | $ 119,822 | $ 11,980 | $ - | $ - | $ 2,809,799 | $ 1,370,077 | $ 2,929,621 | $ 1,382,057 |
| Business-Type Activities | $ 35,645 | $ 4,066 | $ 4,413,396 | $ 2,360,678 | $ 374,877 | $ 103,359 | $ 4,823,918 | $ 2,468,103 |
| Total | $ 155,467 | $ 16,046 | $ 4,413,396 | $ 2,360,678 | $ 3,184,676 | $ 1,473,436 | $ 7,753,539 | $ 3,850,160 |

(Amounts in Thousands)

Fiscal Year 2019

| | Capital Leases | | Revenue Bonds | | Certificates of Participation | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| Governmental Activities | $ 123,600 | $ 13,449 | $ - | $ - | $ 2,055,104 | $ 1,135,147 | $ 2,178,704 | $ 1,148,596 |
| Business-Type Activities | $ 37,402 | $ 4,981 | $ 4,231,973 | $ 2,570,421 | $ 412,179 | $ 119,940 | $ 4,681,554 | $ 2,695,342 |
| Total | $ 161,002 | $ 18,430 | $ 4,231,973 | $ 2,570,421 | $ 2,467,283 | $ 1,255,087 | $ 6,860,258 | $ 3,843,938 |

For Fiscal Year 2020, the total principal amount of capital leases, revenue bonds, and COPs increased by 13.0 percent from the prior year to $7,753.5 million. The Fiscal Year 2020 increase was related to two new COP issuances – $500.0 million issuance of State of Colorado Rural Certificates of Participation, Series 2020A, and $230.5 million in Building Excellent Schools Today Series 2019P and 2019Q refunding COPs.

## CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS

Many of the conditions affecting future operations of the State remain unchanged from the prior fiscal year. These conditions are as follows:

Coronavirus Disease 2019 (COVID-19) Pandemic – COVID-19 was first identified in December 2019 in Wuhan, China. The outbreak was declared a Public Health Emergency of International Concern in January 2020, and a pandemic in March 2020. The pandemic resulted in a nationwide recession that began in March 2020, which significantly reduced Colorado's economic activity the last quarter of Fiscal Year 2020. Despite significant improvement from the depths of the recession in April 2020 and outperforming the national average, Colorado's economic activity remains well below normal levels. In response to the pandemic, the U.S. Congress passed several measures to assist with economic recovery and the resulting fallout.

- The $8.3 billion Coronavirus Preparedness and Response Supplemental Appropriations Act provided emergency supplemental spending to help government health officials with research and purchases of medications for treatments and vaccines.

- The approximately $190 billion Families First Coronavirus Response Act contained provisions to provide free COVID-19 testing, increased federal funds to support state Medicaid costs, increased nutrition assistance, expanded unemployment insurance (UI) compensation, and provided paid leave and sick days for millions of workers.

- The $2.3 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act contained provisions to provide funding to health care providers and researchers. Included in the legislation was $15.5 billion for SNAP to cover the projected increase in applications and the costs of relief authorized in the Families First Act, further expansion of UI compensation, $3.5 billion for child care, $150 billion in general grants for state, local, tribal and territorial aid, $31 billion for education assistance, and $400 million to facilitate voting by mail efforts.

- The $483.0 billion Paycheck Protection Program and Health Care Enhancement Act provided funds to keep workers employed during the pandemic, additional funding for hospitals and health care providers, and expanded COVID-19 testing.

The U.S. economy slowly started to improve with the federal aid. Personal incomes and savings rates are above pre-pandemic levels due to major federal relief measures such as expanded unemployment insurance benefits. While higher incomes and savings are positive signs for the economic outlook, the recovery remains highly dependent on the course of the virus and the availability of a vaccine.

Public Employees Retirement Association Reforms – The State Legislature passed – and the governor signed – Senate Bill 18-200 during the 2018 legislative session. Senate Bill 18-200 contained a package of reforms designed to reduce the overall risk profile of the PERA retirement plan and improve its funded status. The bill makes several changes to the pension plan including:

- Increasing contribution rates from employers and employees.

- Allocates $225.0 million annually beginning in Fiscal Year 2019 to PERA to reduce the unfunded liability for the State, Judicial, Schools, and Denver Public Schools Divisions Trust Funds. To assist with reductions in spending for Fiscal Year 2021 resulting from the economic impact of COVID-19, the state legislature eliminated the $225.0 million direct distribution for Fiscal Year 2021. The State anticipates resuming the direct distribution in future fiscal years as the State recovers from the effect of the pandemic.

- Modifies retirement benefits, including reducing the annual increase for all current and future retirees.

- Raises the retirement age for new employees; and (5) establishes an automatic adjustment provision designed to keep PERA on a path to full funding in 30 years by 2048.

Election 2000 Amendment 23 – This constitutional requirement was originally designed to exempt a portion of State revenues from TABOR and dedicate those revenues to education programs. With the passage of Referendum C, revenues in excess of the TABOR limit are not being refunded. However, resources that were once general-purpose revenues continue to be diverted to the State Education Fund. The amendment requires the General Assembly to increase funding of education by one percent over inflation through Fiscal Year 2011 and by inflation thereafter. This requirement will have an 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 2003 and following years, the Legislature changed the budgetary accounting for June payroll and certain Medicaid expenditures to the cash basis and deferred June pay-dates until July (after Fiscal Year-end). During Fiscal Year 2008, similar treatment was extended to certain Old Age Pension, Medicare, and Children's Basic Health Plan expenditures. In Fiscal Year 2009, this treatment was applied to an additional month of Medicare payments, and legislation was passed to extend the pay-date shift beginning in Fiscal Year 2011 to all information technology staff formerly paid by the General Purpose Revenue Fund. 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 are delayed until the following year assuming that subsequent revenues will be adequate to pay those liabilities. In Fiscal Year 2012, legislation was passed to eliminate the deferral of June pay dates until July for employees paid on a biweekly basis beginning in Fiscal Year 2013. Departures from generally accepted accounting principles (GAAP) such as this could adversely affect the State's credit rating. It will be difficult for the State to return to the GAAP basis of accounting for budgetary expenditures because of the significant one-time budgetary impact of recording payroll, Medicaid, and other expenditures that were previously deferred.

General Fund Liquidity – The General Purpose Revenue Fund shows a cash balance of $0.0 million at June 30, 2020, providing no apparent liquidity. This is because the Fund had a deficit cash balance at the end of the fiscal year, and required transfers from other cash funds to cover the deficit. Due to the COVID-19 pandemic, the State delayed its statewide income tax filing deadline extension to July 2020, resulting in less overall cash collections than in normal fiscal years. From the prior fiscal year to the current fiscal year, General Purpose Revenue Fund taxes receivable increased by $930.0 million to $2,864.2 million, tax refunds payable increased by $14.4 million to $942.1 million, and deferred inflows related to the tax receivables not expected to be collected within the next year decreased by $63.7 million down to $181.4 million. The tax receivable and related refunds are based on the best economic data available at year-end; however, economic projections rarely identify inflection points in the economy. If the State's economy experiences another downturn, tax receivables will likely decline (due to declining personal income) and tax refunds will likely increase (due to higher than required estimated tax and withholding payments) putting additional pressure on the fund balance of the General Purpose Revenue Fund. The General Fund legally has access to short-term borrowing from the cash balances of other funds. However, those transfers become increasingly difficult as accessible cash fund balances are depleted from transfers in prior years.

Debt Service – Various institutions of higher education, History Colorado, the Judicial Branch, and the Departments of Corrections, Transportation, Agriculture, Public Administration, Public Safety, and Treasury have outstanding notes, bonds, and/or Certificates of Participation (COPs) for the purchase of equipment or to construct facilities or infrastructure. The average debt service related to governmental activities over the next five years is $195.1 million for these lease purchase agreements. The majority of the revenue streams to cover the debt service payments comprise cash sources, as there is no general obligation associated with these lease purchases and the investors' sole recourse is the leased asset. However, if the revenue streams intended to fund this debt service do not materialize, the State will need to find other ways to pay for the service-potential represented by these capital assets. The average debt service related to business-type activities including revenue bonds over the next five years is $397.6 million.

# BASIC FINANCIAL STATEMENTS

**STATEMENT OF NET POSITION**
**JUNE 30, 2020**

| (DOLLARS IN THOUSANDS) | PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL | COMPONENT UNITS |
|---|---|---|---|---|
| ASSETS: | | | | |
| Current Assets: | | | | |
| Cash and Pooled Cash | $ 2,521,649 | $ 2,023,015 | $ 4,544,664 | $ 294,386 |
| Restricted Cash and Pooled Cash | 611,626 | 391,766 | 1,003,392 | - |
| Investments | - | 1,926,752 | 1,926,752 | - |
| Restricted Investments | - | 123,303 | 123,303 | - |
| Taxes Receivable, net | 2,746,658 | 87,301 | 2,833,959 | - |
| Contributions Receivable, net | - | - | - | 40,748 |
| Other Receivables, net | 609,665 | 783,784 | 1,393,449 | 85,276 |
| Due From Other Governments | 803,219 | 970,990 | 1,774,209 | 2,967 |
| Internal Balances | 179,643 | (179,643) | - | - |
| Due From Component Units | - | 26,385 | 26,385 | - |
| Inventories | 142,367 | 57,124 | 199,491 | - |
| Prepaids, Advances and Deposits | 544,537 | 37,686 | 582,223 | 969 |
| Other Current Assets | - | - | - | 4,300 |
| Total Current Assets | 8,159,364 | 6,248,463 | 14,407,827 | 428,646 |
| Noncurrent Assets: | | | | |
| Restricted Assets: | | | | |
| Restricted Cash and Pooled Cash | 1,810,813 | 511,559 | 2,322,372 | 97,322 |
| Restricted Investments | 1,212,311 | 172,683 | 1,384,994 | 67,989 |
| Restricted Receivables | 453,551 | 22,651 | 476,202 | 1,055 |
| Investments | 1,564,800 | 1,441,901 | 3,006,701 | 2,142,113 |
| Contributions Receivable, net | - | - | - | 82,952 |
| Other Long-Term Assets | 771,885 | 123,685 | 895,570 | 943,500 |
| Depreciable Capital Assets and Infrastructure, net | 9,856,574 | 8,471,869 | 18,328,443 | 152,831 |
| Land and Nondepreciable Capital Assets | 2,739,690 | 2,349,747 | 5,089,437 | 25,335 |
| Total Noncurrent Assets | 18,409,624 | 13,094,095 | 31,503,719 | 3,513,097 |
| TOTAL ASSETS | 26,568,988 | 19,342,558 | 45,911,546 | 3,941,743 |
| DEFERRED OUTFLOW OF RESOURCES: | 2,348,666 | 534,121 | 2,882,787 | 3,066 |
| LIABILITIES: | | | | |
| Current Liabilities: | | | | |
| Tax Refunds Payable | 951,302 | - | 951,302 | - |
| Accounts Payable and Accrued Liabilities | 1,428,804 | 705,641 | 2,134,445 | 33,469 |
| TABOR Refund Liability (Note 2B) | 143,993 | - | 143,993 | - |
| Due To Other Governments | 375,757 | 375,140 | 750,897 | 2,315 |
| Due To Component Units | - | 151 | 151 | - |
| Unearned Revenue | 1,291,503 | 770,398 | 2,061,901 | 4,816 |
| Accrued Compensated Absences | 15,719 | 28,747 | 44,466 | - |
| Claims and Judgments Payable | 46,660 | 1,273 | 47,933 | - |
| Leases Payable | 27,212 | 5,832 | 33,044 | - |
| Notes, Bonds, and COPs Payable | 70,565 | 179,765 | 250,330 | 33,960 |
| Other Postemployment Benefits | - | 16,448 | 16,448 | - |
| Other Current Liabilities | 23,647 | 813,537 | 837,184 | 186,363 |
| Total Current Liabilities | 4,375,162 | 2,896,932 | 7,272,094 | 260,923 |
| Noncurrent Liabilities: | | | | |
| Deposits Held In Custody For Others | 598 | 25 | 623 | 447,774 |
| Accrued Compensated Absences | 197,457 | 397,622 | 595,079 | - |
| Claims and Judgments Payable | 151,757 | 45,168 | 196,925 | - |
| Capital Lease Payable | 92,610 | 29,813 | 122,423 | - |
| Derivative Instrument Liability | - | 46,864 | 46,864 | - |
| Notes, Bonds, and COPs Payable | 2,837,608 | 4,917,042 | 7,754,650 | 388,855 |
| Due to Component Units | - | 1,704 | 1,704 | - |
| Net Pension Liability | 7,804,791 | 3,570,647 | 11,375,438 | 4,713 |
| Other Postemployment Benefits | 233,180 | 835,859 | 1,069,039 | 278 |
| Other Long-Term Liabilities | 229,134 | 102,896 | 332,030 | 51,909 |
| Total Noncurrent Liabilities | 11,547,135 | 9,947,640 | 21,494,775 | 893,529 |
| TOTAL LIABILITIES | 15,922,297 | 12,844,572 | 28,766,869 | 1,154,452 |
| DEFERRED INFLOW OF RESOURCES: | 3,704,384 | 1,918,407 | 5,622,791 | 3,301 |
| NET POSITION: | | | | |
| Net investment in Capital Assets: | 9,648,006 | 5,923,907 | 15,571,913 | 178,113 |
| Restricted for: | | | | |
| Construction and Highway Maintenance | 874,840 | - | 874,840 | - |
| Education | 194,060 | 978,486 | 1,172,546 | - |
| Unemployment Insurance | - | (18,877) | (18,877) | - |
| Debt Service | 115,664 | 16,081 | 131,745 | - |
| Emergencies | 208,095 | 34,000 | 242,095 | - |
| Permanent Funds and Endowments: | | | | |
| Expendable | 8,936 | 173,493 | 182,429 | 1,073,982 |
| Nonexpendable | 1,419,630 | 83,909 | 1,503,539 | 671,904 |
| Other Purposes | 1,079,316 | 34,528 | 1,113,844 | 756,369 |
| Unrestricted | (4,257,574) | (2,111,827) | (6,369,401) | 106,688 |
| TOTAL NET POSITION | $ 9,290,973 | $ 5,113,700 | $ 14,404,673 | $ 2,787,056 |

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

**STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED JUNE 30, 2020**

| (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 | $ 1,237,461 | $ (22,784) | $ 166,301 | $ 254,342 | $ 1,244 |
| Business, Community, and Consumer Affairs | 711,577 | 2,250 | 170,592 | 379,526 | - |
| Education | 6,873,987 | 1,968 | 38,261 | 769,918 | 121 |
| Health and Rehabilitation | 835,282 | 1,590 | 103,977 | 511,928 | - |
| Justice | 1,730,411 | 4,491 | 229,466 | 183,179 | 280 |
| Natural Resources | 89,421 | 827 | 170,834 | 142,070 | - |
| Social Assistance | 9,425,045 | 5,134 | 153,857 | 5,383,103 | - |
| Transportation | 1,883,253 | 1,619 | 522,044 | 164,030 | 615,579 |
| Interest on Debt | 103,339 | - | - | - | - |
| Total Governmental Activities | 22,889,776 | (4,905) | 1,555,332 | 7,788,096 | 617,224 |
| Business-Type Activities: | | | | | |
| Higher Education | 6,990,143 | 3,168 | 5,366,610 | 2,450,775 | 117,627 |
| Healthcare Affordability | 3,515,207 | - | 937,123 | 2,650,237 | - |
| Unemployment Insurance | 4,764,538 | 601 | 548,095 | 2,939,312 | - |
| Lottery | 582,051 | 670 | 659,791 | 2,599 | - |
| Parks and Wildlife | 166,656 | 126 | 231,980 | 47,207 | 5,497 |
| College Assist | 200,860 | 340 | 1 | 223,003 | - |
| Other Business-Type Activities | 128,606 | - | 296,322 | 61,566 | 149 |
| Total Business-Type Activities | 16,348,061 | 4,905 | 8,039,922 | 8,374,699 | 123,273 |
| Total Primary Government | 39,237,837 | - | 9,595,254 | 16,162,795 | 740,497 |
| **Total Component Units** | $ 290,542 | $ - | $ 80,070 | $ 283,874 | $ 3,977 |

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
(Transfers-Out) / Transfers-In
Permanent Fund Additions
Total General Revenues, Special Items, and Transfers

Change in Net Position

Net Position - Fiscal Year Beginning
Prior Period Adjustment (See Note 15A)
Accounting Changes (See Note 15B)
Net Position - Fiscal Year Beginning (Restated)

Net Position - Fiscal Year Ending

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

| Net (Expense) Revenue and Changes in Net Position | | | |
|---|---|---|---|
| Primary Government | | | |
| Governmental Activities | Business-Type Activities | Total | Component Units |
| $ (792,790) | $ - | $ (792,790) | |
| (163,709) | - | (163,709) | |
| (6,067,655) | - | (6,067,655) | |
| (220,967) | - | (220,967) | |
| (1,321,977) | - | (1,321,977) | |
| 222,656 | - | 222,656 | |
| (3,893,219) | - | (3,893,219) | |
| (583,219) | - | (583,219) | |
| (103,339) | - | (103,339) | |
| (12,924,219) | - | (12,924,219) | |
| - | 941,701 | 941,701 | |
| - | 72,153 | 72,153 | |
| - | (1,277,732) | (1,277,732) | |
| - | 79,669 | 79,669 | |
| - | 117,902 | 117,902 | |
| - | 21,804 | 21,804 | |
| - | 229,431 | 229,431 | |
| - | 184,928 | 184,928 | |
| (12,924,219) | 184,928 | (12,739,291) | |
| | | | 77,379 |
| 3,703,217 | - | 3,703,217 | - |
| 330,600 | - | 330,600 | - |
| 8,037,272 | - | 8,037,272 | - |
| 638,303 | - | 638,303 | - |
| 562,124 | - | 562,124 | - |
| 586,445 | - | 586,445 | - |
| 60,255 | - | 60,255 | - |
| 624,521 | - | 624,521 | - |
| 332 | - | 332 | - |
| 37,599 | - | 37,599 | 25,383 |
| 95,460 | - | 95,460 | - |
| (395,097) | 395,097 | - | - |
| 580 | - | 580 | - |
| 14,281,611 | 395,097 | 14,676,708 | 25,383 |
| 1,357,392 | 580,025 | 1,937,417 | 102,762 |
| 7,913,886 | 4,520,020 | 12,433,906 | 2,678,125 |
| 19,695 | 11,209 | 30,904 | - |
| - | 2,446 | 2,446 | 6,169 |
| 7,933,581 | 4,533,675 | 12,467,256 | 2,684,294 |
| $ 9,290,973 | $ 5,113,700 | $ 14,404,673 | $ 2,787,056 |

**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**JUNE 30, 2020**

| (DOLLARS IN THOUSANDS) | GENERAL | FEDERAL SPECIAL REVENUE FUND | HIGHWAY USERS TAX | OTHER GOVERNMENTAL FUNDS | TOTAL |
|---|---|---|---|---|---|
| ASSETS: | | | | | |
| Cash and Pooled Cash | $ 228,277 | $ 27,146 | $ 60,535 | $ 2,118,684 | $ 2,434,642 |
| Taxes Receivable, net | 2,864,172 | - | 2,272 | 68,796 | 2,935,240 |
| Other Receivables, net | 445,139 | - | 1,845 | 143,252 | 590,236 |
| Due From Other Governments | 768,000 | - | - | 35,117 | 803,117 |
| Due From Other Funds | 70,057 | - | 699 | 497,144 | 567,900 |
| Inventories | 14,343 | - | 20,946 | 105,795 | 141,084 |
| Prepaids, Advances and Deposits | 69,544 | 413,617 | 5,032 | 35,781 | 523,974 |
| Restricted Assets: | | | | | |
| Restricted Cash and Pooled Cash | 550,634 | 570,104 | 764,565 | 536,876 | 2,422,179 |
| Restricted Investments | - | - | 2,290 | 1,210,021 | 1,212,311 |
| Restricted Receivables | 9,840 | - | 443,711 | - | 453,551 |
| Investments | 335,521 | - | - | 1,229,279 | 1,564,800 |
| Other Long-Term Assets | 18,606 | - | 20,685 | 543,151 | 582,442 |
| TOTAL ASSETS | $ 5,374,133 | $ 1,010,867 | $ 1,322,580 | $ 6,523,896 | $ 14,231,476 |
| | | | | | |
| DEFERRED OUTFLOW OF RESOURCES: | - | - | - | 3,027 | 3,027 |
| | | | | | |
| LIABILITIES: | | | | | |
| Tax Refunds Payable | $ 942,102 | $ - | $ - | $ 9,200 | $ 951,302 |
| Accounts Payable and Accrued Liabilities | 845,895 | 56,731 | 264,027 | 218,573 | 1,385,226 |
| TABOR Refund Liability (Note 2B) | 143,993 | - | - | - | 143,993 |
| Due To Other Governments | 294,017 | - | 44,558 | 37,182 | 375,757 |
| Due To Other Funds | 345,415 | 6,652 | 304 | 35,481 | 387,852 |
| Unearned Revenue | 204,567 | 926,134 | 34,077 | 123,742 | 1,288,520 |
| Claims and Judgments Payable | 726 | - | 137 | 89 | 952 |
| Other Current Liabilities | 13,776 | - | 42 | 5,386 | 19,204 |
| Deposits Held In Custody For Others | 470 | - | - | 128 | 598 |
| TOTAL LIABILITIES | 2,790,961 | 989,517 | 343,145 | 429,781 | 4,553,404 |
| | | | | | |
| DEFERRED INFLOW OF RESOURCES: | 181,578 | - | 1,082 | 6,718 | 189,378 |
| | | | | | |
| FUND BALANCES: | | | | | |
| Nonspendable: | | | | | |
| Inventories | 14,343 | - | 20,946 | 105,795 | 141,084 |
| Permanent Fund Principal | - | - | - | 1,398,247 | 1,398,247 |
| Prepaids | 69,432 | - | 5,032 | 35,781 | 110,245 |
| Restricted | 823,528 | 21,350 | 900,962 | 558,485 | 2,304,325 |
| Committed | 616,483 | - | 51,413 | 3,992,116 | 4,660,012 |
| Assigned | 35,241 | - | - | - | 35,241 |
| Unassigned | 842,567 | - | - | - | 842,567 |
| TOTAL FUND BALANCES | 2,401,594 | 21,350 | 978,353 | 6,090,424 | 9,491,721 |
| | | | | | |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | $ 5,374,133 | $ 1,010,867 | $ 1,322,580 | $ 6,526,923 | $ 14,234,503 |

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

**GOVERNMENTAL FUNDS BALANCE SHEET**
**RECONCILED TO**
**STATEMENT OF NET POSITION**
**JUNE 30, 2020**

| (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 POSITION TOTALS |
|---|---|---|---|---|---|---|---|---|
| ASSETS: | | | | | | | | |
| Current Assets: | | | | | | | | |
| Cash and Pooled Cash | $ 2,434,642 | $ 87,007 | $ - | $ - | $ - | $ - | $ - | $ 2,521,649 |
| Restricted Cash and Pooled Cash | 611,626 | - | - | - | - | - | - | 611,626 |
| Taxes Receivable, net | 2,935,240 | - | - | - | - | (188,582) | - | 2,746,658 |
| Other Receivables, net | 590,236 | 1,903 | - | - | - | 17,390 | 136 | 609,665 |
| Due From Other Governments | 803,117 | 102 | - | - | - | - | - | 803,219 |
| Due From Other Funds | 567,900 | 263 | - | - | - | - | (568,163) | - |
| Internal Balances | - | - | - | - | - | - | 179,643 | 179,643 |
| Inventories | 141,084 | 1,283 | - | - | - | - | - | 142,367 |
| Prepaids, Advances and Deposits | 523,974 | 8,870 | - | - | - | 11,693 | - | 544,537 |
| Total Current Assets | 8,607,819 | 99,428 | - | - | - | (159,499) | (388,384) | 8,159,364 |
| Noncurrent Assets: | | | | | | | | |
| Restricted Cash and Pooled Cash | 1,810,553 | 260 | - | - | - | - | - | 1,810,813 |
| Restricted Investments | 1,212,311 | - | - | - | - | - | - | 1,212,311 |
| Restricted Receivables | 453,551 | - | - | - | - | - | - | 453,551 |
| Investments | 1,564,800 | - | - | - | - | - | - | 1,564,800 |
| Other Long-Term Assets | 582,442 | - | - | - | - | 189,443 | - | 771,885 |
| Depreciable Capital Assets and Infrastructure, net | - | 122,869 | 9,733,705 | - | - | - | - | 9,856,574 |
| Land and Nondepreciable Capital Assets | - | 523 | 2,739,167 | - | - | - | - | 2,739,690 |
| Total Noncurrent Assets | 5,623,657 | 123,652 | 12,472,872 | - | - | 189,443 | - | 18,409,624 |
| TOTAL ASSETS | 14,231,476 | 223,080 | 12,472,872 | - | - | 29,944 | (388,384) | 26,568,988 |
| DEFERRED OUTFLOW OF RESOURCES: | 3,027 | 29,041 | - | 2,316,598 | - | - | - | 2,348,666 |
| LIABILITIES: | | | | | | | | |
| Current Liabilities: | | | | | | | | |
| Tax Refunds Payable | 951,302 | - | - | - | - | - | - | 951,302 |
| Accounts Payable and Accrued Liabilities | 1,385,226 | 37,294 | - | 6,250 | - | - | 34 | 1,428,804 |
| TABOR Refund Liability (Note 2B) | 143,993 | - | - | - | - | - | - | 143,993 |
| Due To Other Governments | 375,757 | - | - | - | - | - | - | 375,757 |
| Due To Other Funds | 387,852 | 566 | - | - | - | - | (388,418) | - |
| Unearned Revenue | 1,288,520 | 3,066 | - | - | - | (83) | - | 1,291,503 |
| Compensated Absences Payable | - | 1,202 | - | - | - | 14,517 | - | 15,719 |
| Claims and Judgments Payable | 952 | - | - | - | 38,706 | 7,002 | - | 46,660 |
| Leases Payable | - | 22,644 | - | 4,568 | - | - | - | 27,212 |
| Notes, Bonds, and COPs Payable | - | - | - | 70,565 | - | - | - | 70,565 |
| Other Current Liabilities | 19,204 | 698 | - | - | - | 3,745 | - | 23,647 |
| Total Current Liabilities | 4,552,806 | 65,470 | - | 81,383 | 38,706 | 25,181 | (388,384) | 4,375,162 |
| Noncurrent Liabilities: | | | | | | | | |
| Deposits Held In Custody For Others | 598 | - | - | - | - | - | - | 598 |
| Accrued Compensated Absences | - | 12,555 | - | - | - | 184,902 | - | 197,457 |
| Claims and Judgments Payable | - | - | - | - | 102,721 | 49,036 | - | 151,757 |
| Capital Lease Payable | - | 72,491 | - | 20,119 | - | - | - | 92,610 |
| Notes, Bonds, and COPs Payable | - | - | - | 2,837,608 | - | - | - | 2,837,608 |
| Net Pension Liability | - | 343,895 | - | - | - | 7,460,896 | - | 7,804,791 |
| Other Postemployment Benefits | - | 13,092 | - | - | - | 220,088 | - | 233,180 |
| Other Long-Term Liabilities | - | - | - | - | - | 229,134 | - | 229,134 |
| Total Noncurrent Liabilities | 598 | 442,033 | - | 2,857,727 | 102,721 | 8,144,056 | - | 11,547,135 |
| TOTAL LIABILITIES | 4,553,404 | 507,503 | - | 2,939,110 | 141,427 | 8,169,237 | (388,384) | 15,922,297 |
| DEFERRED INFLOW OF RESOURCES: | 189,378 | 144,891 | - | - | - | 3,370,115 | - | 3,704,384 |
| NET POSITION: | | | | | | | | |
| Net investment in Capital Assets: | - | 28,256 | 12,472,872 | (2,853,122) | - | - | - | 9,648,006 |
| Restricted for: | | | | | | | | |
| Construction and Highway Maintenance | 874,840 | - | - | - | - | - | - | 874,840 |
| Education | 194,060 | - | - | - | - | - | - | 194,060 |
| Debt Service | 115,664 | - | - | - | - | - | - | 115,664 |
| Emergencies | 208,095 | - | - | - | - | - | - | 208,095 |
| Permanent Funds and Endowments: | | | | | | | | |
| Expendable | 8,936 | - | - | - | - | - | - | 8,936 |
| Nonexpendable | 1,419,630 | - | - | - | - | - | - | 1,419,630 |
| Other Purposes | 1,079,316 | - | - | - | - | - | - | 1,079,316 |
| Unrestricted | 5,591,180 | (428,529) | - | 2,230,610 | (141,427) | (11,509,408) | - | (4,257,574) |
| TOTAL NET POSITION | $ 9,491,721 | $ (400,273) | $ 12,472,872 | $ (622,512) | $ (141,427) | $ (11,509,408) | $ - | $ 9,290,973 |

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 Position***

(A) Management uses Internal Services Funds to report the charges for and the costs of goods and services sold by state agencies solely within the state. Because the sales are primarily to governmental funds, the assets and liabilities of the Internal Service Funds are included in the governmental activities on the government-wide *Statement of Net Position.* Internal Service Funds are reported using proprietary fund-type accounting in the fund-level financial statements. In addition to minor training services provided by the Department of Personnel & Administration, and internal sales within the Department of Transportation and the Department of Public Safety, the State's Internal Service Funds provide the following goods and services to nearly all state agencies:

- Fleet management,
- Printing and mail services,
- Information technology and telecommunication services,
- Building maintenance and management in the capitol complex,
- Administrative court services,
- Legal services, and
- Others including debt collection.

(B) Capital assets used in governmental activities are not current financial resources, and therefore, they are not included in the fund-level financial statements. However, capital assets are economic resources and are reported in the government-wide *Statement of Net Position.*

(C) Long-term liabilities such as leases, bonds, notes, mortgages, and Certificates of Participation (including accrued interest) are not due and payable in the current period, and therefore, they are not included in the fund-level financial statements. However, from an economic perspective these liabilities reduce net position and are reported in the *Statement of Net Position.* The portion reported as current in the reconciliation is payable within the following fiscal year. Deferred outflows related to debt refunding losses require a similar adjustment. The largest single portion of the long-term balance is related to Transportation Revenue Anticipation Notes issued by the Department of Transportation.

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

(E) Other measurement focus adjustments include:

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

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

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2020

| (DOLLARS IN THOUSANDS) | GENERAL | FEDERAL SPECIAL REVENUE FUND | HIGHWAY USERS TAX | OTHER GOVERNMENTAL FUNDS | TOTAL |
|---|---|---|---|---|---|
| REVENUES: | | | | | |
| Taxes: | | | | | |
| Individual and Fiduciary Income | $ 8,056,100 | $ - | $ - | $ 588,830 | $ 8,644,930 |
| Corporate Income | 670,434 | - | - | 57,870 | 728,304 |
| Sales and Use | 3,651,976 | - | - | 37,220 | 3,689,196 |
| Excise | 106,980 | - | 624,521 | 225,139 | 956,640 |
| Other Taxes | 337,766 | - | 332 | 258,742 | 596,840 |
| Licenses, Permits, and Fines | 20,589 | - | 394,963 | 416,265 | 831,817 |
| Charges for Goods and Services | 81,519 | - | 187,260 | 157,028 | 425,807 |
| Rents | 166 | - | 4,013 | 152,117 | 156,296 |
| Investment Income (Loss) | 85,550 | 21,350 | 39,470 | 250,393 | 396,763 |
| Federal Grants and Contracts | 6,690,332 | 200,015 | 660,650 | 286,229 | 7,837,226 |
| Additions to Permanent Funds | - | - | - | 580 | 580 |
| Unclaimed Property Receipts | - | - | - | 55,137 | 55,137 |
| Other | 198,117 | - | 74,647 | 80,492 | 353,256 |
| TOTAL REVENUES | 19,899,529 | 221,365 | 1,985,856 | 2,566,042 | 24,672,792 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General Government | 267,068 | - | 71,564 | 62,618 | 401,250 |
| Business, Community, and Consumer Affairs | 183,086 | 8 | - | 343,289 | 526,383 |
| Education | 902,949 | 219 | - | 79,162 | 982,330 |
| Health and Rehabilitation | 737,567 | 13,224 | 12,435 | 147,430 | 910,656 |
| Justice | 1,723,738 | 10,221 | 143,052 | 225,870 | 2,102,881 |
| Natural Resources | 42,583 | - | - | 88,437 | 131,020 |
| Social Assistance | 8,111,939 | 3,751 | - | 228,871 | 8,344,561 |
| Transportation | - | - | 1,548,895 | 5,903 | 1,554,798 |
| Capital Outlay | 247,565 | - | 74,765 | 95,401 | 417,731 |
| Intergovernmental: | | | | | |
| Cities | 106,646 | 56,706 | 241,472 | 117,773 | 522,597 |
| Counties | 1,333,749 | 2,000 | 268,809 | 146,466 | 1,751,024 |
| School Districts | 5,165,131 | 113,061 | - | 683,110 | 5,961,302 |
| Special Districts | 70,131 | - | 79,133 | 28,677 | 177,941 |
| Federal | 14 | - | 14 | 31,773 | 31,801 |
| Other | 180,630 | 822 | 4,744 | 55,158 | 241,354 |
| Debt Service | 87,130 | - | - | 76,362 | 163,492 |
| TOTAL EXPENDITURES | 19,159,926 | 200,012 | 2,444,883 | 2,416,300 | 24,221,121 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 739,603 | 21,353 | (459,027) | 149,742 | 451,671 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers-In | 566,097 | - | 459,130 | 677,014 | 1,702,241 |
| Transfers-Out | (1,151,901) | (3) | (65,298) | (877,028) | (2,094,230) |
| Face Amount of Bond/COP Issuance | 165,805 | - | - | 500,000 | 665,805 |
| Bond/COP Premium/Discount | 25,833 | - | - | 111,009 | 136,842 |
| Issuance of Capital Leases | 515 | - | - | - | 515 |
| Sale of Capital Assets | - | - | - | 54,740 | 54,740 |
| Insurance Recoveries | 930 | - | 894 | 1,599 | 3,423 |
| TOTAL OTHER FINANCING SOURCES (USES) | (392,721) | (3) | 394,726 | 467,334 | 469,336 |
| NET CHANGE IN FUND BALANCES | 346,882 | 21,350 | (64,301) | 617,076 | 921,007 |
| FUND BALANCE, FISCAL YEAR BEGINNING | 2,062,907 | - | 1,042,654 | 5,473,348 | 8,578,909 |
| Prior Period Adjustment (See Note 15A) | (8,195) | - | - | - | (8,195) |
| FUND BALANCE, FISCAL YEAR BEGINNING (RESTATED) | 2,054,712 | - | 1,042,654 | 5,473,348 | 8,570,714 |
| FUND BALANCE, FISCAL YEAR END | $ 2,401,594 | $ 21,350 | $ 978,353 | $ 6,090,424 | $ 9,491,721 |

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

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES RECONCILED TO STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

| (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 | $ 8,644,930 | $ - | $ - | $ - | $ (18,828) | $ 8,626,102 |
| Corporate Income | 728,304 | - | - | - | (32,131) | 696,173 |
| Sales and Use | 3,689,196 | - | - | - | 14,022 | 3,703,218 |
| Excise | 956,640 | - | - | - | (1,519) | 955,121 |
| Other Taxes | 596,840 | - | - | - | 3,692 | 600,532 |
| Licenses, Permits, and Fines | 831,817 | - | - | - | 51 | 831,868 |
| Charges for Goods and Services | 425,807 | - | - | - | (1) | 425,806 |
| Rents | 156,296 | - | - | - | - | 156,296 |
| Investment Income (Loss) | 396,763 | 2,004 | - | - | 6 | 398,773 |
| Federal Grants and Contracts | 7,837,226 | - | - | - | - | 7,837,226 |
| Additions to Permanent Funds | 580 | - | - | - | - | 580 |
| Unclaimed Property Receipts | 55,137 | - | - | - | - | 55,137 |
| Other | 353,256 | - | - | - | (546) | 352,710 |
| TOTAL REVENUES | 24,672,792 | 2,004 | - | - | (35,254) | 24,639,542 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| General Government | 401,250 | (18,657) | 29,301 | - | (83,050) | 328,844 |
| Business, Community, and Consumer Affairs | 526,383 | (17,839) | 3,227 | - | (136,544) | 375,227 |
| Education | 982,330 | (1,002) | 36,699 | - | (43,949) | 974,078 |
| Health and Rehabilitation | 910,656 | (5,329) | (202) | - | (207,814) | 697,311 |
| Justice | 2,102,881 | (14,700) | 53,263 | - | (681,634) | 1,459,810 |
| Natural Resources | 131,020 | (7,111) | 672 | - | (31,988) | 92,593 |
| Social Assistance | 8,344,561 | (33,100) | 19,828 | - | (62,709) | 8,268,580 |
| Transportation | 1,554,798 | (7,281) | 330,381 | - | (158,795) | 1,719,103 |
| Capital Outlay | 417,731 | - | (920,210) | - | - | (502,479) |
| Intergovernmental: | | | | | | |
| Cities | 522,597 | - | - | - | - | 522,597 |
| Counties | 1,751,024 | - | - | - | - | 1,751,024 |
| School Districts | 5,961,302 | - | - | - | 655,400 | 6,616,702 |
| Special Districts | 177,941 | - | - | - | 16,778 | 194,719 |
| Federal | 31,801 | - | - | - | - | 31,801 |
| Other | 241,354 | - | - | - | - | 241,354 |
| Debt Service | 163,492 | 2,430 | - | (60,919) | - | 105,003 |
| TOTAL EXPENDITURES | 24,221,121 | (102,589) | (447,041) | (60,919) | (734,305) | 22,876,267 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 451,671 | 104,593 | 447,041 | 60,919 | 699,051 | 1,763,275 |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Transfers-In | 1,702,241 | 5,379 | - | - | - | 1,707,620 |
| Transfers-Out | (2,094,230) | (7,363) | - | - | - | (2,101,593) |
| Face Amount of Bond/COP Issuance | 665,805 | - | - | (665,805) | - | - |
| Bond/COP Premium/Discount | 136,842 | - | - | (128,022) | - | 8,820 |
| Issuance of Capital Leases | 515 | - | - | (515) | - | - |
| Sale of Capital Assets | 54,740 | - | (82,495) | - | - | (27,755) |
| Insurance Recoveries | 3,423 | - | - | - | - | 3,423 |
| TOTAL OTHER FINANCING SOURCES (USES) | 469,336 | (1,984) | (82,495) | (794,342) | - | (409,485) |
| Internal Service Fund Charges to BTAs | - | 3,602 | - | - | - | 3,602 |
| NET CHANGE FOR THE YEAR | 921,007 | 106,211 | 364,546 | (733,423) | 699,051 | 1,357,392 |
| Prior Period Adjustment (See Note 15A) | (8,195) | - | - | - | 27,890 | 19,695 |
| TOTAL CHANGE FOR THE CURRENT YEAR | $ 912,812 | $ 106,211 | $ 364,546 | $ (733,423) | $ 726,941 | $ 1,377,087 |

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 training services provided by the Department of Personnel & Administration, and internal sales within the Department of Transportation and the Department of Public Safety, the State's Internal Service Funds provide the following goods and services to nearly all state agencies:

- Fleet management,
- Printing and mail services,
- Information technology services and telecommunication services,
- Building maintenance and management in the capitol complex,
- Administrative court services,
- Legal services, and
- Others including debt collection.

(B) The following adjustments relate to capital assets:

- Capital assets, received as donations, are not reported on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* because they are not current financial resources. However, such donations increase net position and are reported on both the government-wide *Statement of Net Position* and *Statement of Activities*.
- Depreciation is not reported on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*, but it is reported for the economic perspective on which the government-wide *Statement of Activities* is presented.
- Expenditures reported for capital outlay on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* are generally reported as a conversion of cash to a capital asset on the government-wide *Statement of Net Position*. They are not reported as expenses on the government-wide *Statement of Activities*.
- On the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* all cash received on disposal of capital assets is reported as a gain on sale of capital assets. On the government-wide *Statement of Activities* the reported gain or loss on sale is based on the carrying value of the asset as well as the cash received.

(C) The following adjustments relate to debt issuance and debt service including leases:

- Payments on principal and debt refunding payments are reported as expenditures and other financing uses, respectively, on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*. These payments are reported as reductions of lease, bond, and other debt liability balances on the government-wide *Statement of Net Position* and are not reported on the government-wide *Statement of Activities*.
- Amortization of debt premium/discount and gain/loss on refunding are not reported on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*, but are reported on the government-wide *Statement of Activities*.
- Lease proceeds, issuance of debt, and debt refunding proceeds are all reported as other financing sources on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*. From an economic perspective lease proceeds, debt issuances, and debt refunding proceeds are reported as liabilities on the government-wide *Statement of Net Position* and are not reported on the government-wide *Statement of Activities*.

(D) Other measurement focus adjustments include:

- Long-term taxes receivable and certain other long-term assets are offset by deferred inflows or unearned revenue and are not part of fund balance on the fund-level *Balance Sheet – Governmental Funds*; however, from a full accrual perspective, changes in the fund-level unearned revenue balances result in adjustments to revenue that are recognized and reported on the government-wide *Statement of Activities*.
- Compensated absences accruals, pension liabilities, and claims and judgments are not normally expected to be liquidated from expendable available financial resources; and therefore, they are not reported on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*. However, from a full accrual perspective, these are expenses that are reported on the government-wide *Statement of Activities*.

**STATEMENT OF NET POSITION**
**PROPRIETARY FUNDS**
**JUNE 30, 2020**

| | BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS | | | | | | GOVERNMENTAL ACTIVITIES |
|---|---|---|---|---|---|---|---|
| (DOLLARS IN THOUSANDS) | HIGHER EDUCATION INSTITUTIONS | HEALTHCARE AFFORDABILITY | TRANSPORTATION ENTERPRISE | UNEMPLOYMENT INSURANCE | OTHER ENTERPRISES | TOTAL | INTERNAL SERVICE FUNDS |
| ASSETS: | | | | | | | |
| Current Assets: | | | | | | | |
| Cash and Pooled Cash | $ 1,166,183 | $ - | $ 350,092 | $ 31,242 | $ 475,498 | $ 2,023,015 | $ 87,007 |
| Restricted Cash and Pooled Cash | 391,766 | - | - | - | - | 391,766 | - |
| Investments | 1,926,752 | - | - | - | - | 1,926,752 | - |
| Restricted Investments | 123,303 | - | - | - | - | 123,303 | - |
| Premiums/Taxes Receivable, net | - | - | - | 86,916 | 385 | 87,301 | - |
| Student and Other Receivables, net | 543,083 | 107,217 | 13,191 | 59,842 | 60,135 | 783,468 | 1,903 |
| Due From Other Governments | 178,026 | 318,647 | 4,842 | 449,698 | 19,777 | 970,990 | 102 |
| Due From Other Funds | 15,396 | - | - | - | 7,069 | 22,465 | 263 |
| Due From Component Units | 26,385 | - | - | - | - | 26,385 | - |
| Inventories | 41,161 | - | - | - | 15,963 | 57,124 | 1,283 |
| Prepaids, Advances and Deposits | 27,208 | - | 633 | - | 9,845 | 37,686 | 8,870 |
| Total Current Assets | 4,439,263 | 425,864 | 368,758 | 627,698 | 588,672 | 6,450,255 | 99,428 |
| Noncurrent Assets: | | | | | | | |
| Restricted Cash and Pooled Cash | 105,160 | - | 16,795 | 303,784 | 85,820 | 511,559 | 260 |
| Restricted Investments | 172,683 | - | - | - | - | 172,683 | - |
| Restricted Receivables | - | - | - | - | 22,651 | 22,651 | - |
| Investments | 1,426,234 | - | 15,667 | - | - | 1,441,901 | - |
| Other Long-Term Assets | 122,315 | - | - | - | 1,370 | 123,685 | - |
| Depreciable Capital Assets and Infrastructure, net | 7,089,262 | 14,074 | 1,135,165 | 618 | 232,750 | 8,471,869 | 122,869 |
| Land and Nondepreciable Capital Assets | 1,308,795 | 14,773 | 581,254 | 16,729 | 428,196 | 2,349,747 | 523 |
| Total Noncurrent Assets | 10,224,449 | 28,847 | 1,748,881 | 321,131 | 770,787 | 13,094,095 | 123,652 |
| TOTAL ASSETS | 14,663,712 | 454,711 | 2,117,639 | 948,829 | 1,359,459 | 19,544,350 | 223,080 |
| DEFERRED OUTFLOW OF RESOURCES: | 485,921 | 5,400 | 3,279 | 749 | 38,772 | 534,121 | 29,041 |
| LIABILITIES: | | | | | | | |
| Current Liabilities: | | | | | | | |
| Accounts Payable and Accrued Liabilities | 429,386 | 121,708 | 37,043 | 42,102 | 43,081 | 673,320 | 37,294 |
| Due To Other Governments | - | 87,924 | - | 267,321 | 19,895 | 375,140 | - |
| Due To Other Funds | 2,671 | 156,435 | - | - | 58,796 | 217,902 | 566 |
| Due To Component Units | 151 | - | - | - | - | 151 | - |
| Unearned Revenue | 692,537 | - | 1,300 | 20,255 | 56,306 | 770,398 | 3,066 |
| Compensated Absences Payable | 27,364 | 5 | - | - | 1,378 | 28,747 | 1,202 |
| Claims and Judgments Payable | 1,273 | - | - | - | - | 1,273 | - |
| Leases Payable | 5,563 | - | - | - | 269 | 5,832 | 22,644 |
| Notes, Bonds, and COPs Payable | 179,190 | - | - | - | 575 | 179,765 | - |
| Other Postemployment Benefits | 16,448 | - | - | - | - | 16,448 | - |
| Other Current Liabilities | 167,072 | - | - | 604,807 | 41,658 | 813,537 | 698 |
| Total Current Liabilities | 1,521,655 | 366,072 | 38,343 | 934,485 | 221,958 | 3,082,513 | 65,470 |
| Noncurrent Liabilities: | | | | | | | |
| Due to Other Funds | - | - | - | - | 16,211 | 16,211 | - |
| Deposits Held In Custody For Others | - | - | - | - | 25 | 25 | - |
| Accrued Compensated Absences | 381,804 | 102 | 67 | - | 15,649 | 397,622 | 12,555 |
| Claims and Judgments Payable | 45,168 | - | - | - | - | 45,168 | - |
| Capital Lease Payable | 28,381 | - | - | - | 1,432 | 29,813 | 72,491 |
| Derivative Instrument Liability | 46,864 | - | - | - | - | 46,864 | - |
| Notes, Bonds, and COPs Payable | 4,390,003 | - | 526,383 | - | 656 | 4,917,042 | - |
| Due to Component Units | 1,704 | - | - | - | - | 1,704 | - |
| Net Pension Liability | 3,158,150 | 13,183 | 6,605 | 9,826 | 382,883 | 3,570,647 | 343,895 |
| Other Postemployment Benefits | 819,815 | 507 | 259 | 387 | 14,891 | 835,859 | 13,092 |
| Other Long-Term Liabilities | 48,541 | - | 54,336 | - | 19 | 102,896 | - |
| Total Noncurrent Liabilities | 8,920,430 | 13,792 | 587,650 | 10,213 | 431,766 | 9,963,851 | 442,033 |
| TOTAL LIABILITIES | 10,442,085 | 379,864 | 625,993 | 944,698 | 653,724 | 13,046,364 | 507,503 |
| DEFERRED INFLOW OF RESOURCES: | 1,602,741 | 5,300 | 134,292 | 6,411 | 169,663 | 1,918,407 | 144,891 |
| NET POSITION: | | | | | | | |
| Net investment in Capital Assets: | 4,276,183 | 28,847 | 989,918 | 17,346 | 611,613 | 5,923,907 | 28,256 |
| Restricted for: | | | | | | | |
| Construction and Highway Maintenance | - | - | - | - | - | - | - |
| Education | 978,486 | - | - | - | - | 978,486 | - |
| Unemployment Insurance | - | - | - | (18,877) | - | (18,877) | - |
| Debt Service | 414 | - | 15,667 | - | - | 16,081 | - |
| Emergencies | - | - | - | - | 34,000 | 34,000 | - |
| Permanent Funds and Endowments: | | | | | | | |
| Expendable | 173,493 | - | - | - | - | 173,493 | - |
| Nonexpendable | 83,909 | - | - | - | - | 83,909 | - |
| Other Purposes | - | - | - | - | 34,528 | 34,528 | - |
| Unrestricted | (2,407,678) | 46,100 | 355,048 | - | (105,297) | (2,111,827) | (428,529) |
| TOTAL NET POSITION | $ 3,104,807 | $ 74,947 | $ 1,360,633 | $ (1,531) | $ 574,844 | $ 5,113,700 | $ (400,273) |

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

**STATEMENT OF REVENUES, EXPENSES,**
**AND CHANGES IN FUND NET POSITION**
**PROPRIETARY FUNDS**
**FOR THE YEAR ENDED JUNE 30, 2020**

| | BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS | | | | | | GOVERNMENTAL ACTIVITIES |
|---|---|---|---|---|---|---|---|
| (DOLLARS IN THOUSANDS) | HIGHER EDUCATION INSTITUTIONS | HEALTHCARE AFFORDABILITY | TRANSPORTATION ENTERPRISE | UNEMPLOYMENT INSURANCE | OTHER ENTERPRISES | TOTAL | INTERNAL SERVICE FUNDS |
| OPERATING REVENUES: | | | | | | | |
| Unemployment Insurance Premiums | $ - | $ - | $ - | $ 546,038 | $ - | $ 546,038 | $ - |
| License and Permits | - | - | - | 125 | 170,292 | 170,417 | - |
| Tuition and Fees | 3,316,104 | - | - | - | 1,760 | 3,317,864 | - |
| Scholarship Allowance for Tuition and Fees | (743,547) | - | - | - | - | (743,547) | - |
| Sales of Goods and Services | 2,600,259 | 936,355 | 127,758 | - | 762,456 | 4,426,828 | 465,685 |
| Scholarship Allowance for Sales of Goods & Services | (28,873) | - | - | - | - | (28,873) | - |
| Investment Income (Loss) | 1,252 | - | - | - | 7,676 | 8,928 | - |
| Rental Income | 17,565 | - | - | - | 2,262 | 19,827 | 14,455 |
| Gifts and Donations | 44,495 | - | - | - | - | 44,495 | - |
| Federal Grants and Contracts | 1,229,875 | 2,650,210 | 14,659 | 2,911,035 | 283,408 | 7,089,187 | - |
| Intergovernmental Revenue | 6,883 | - | - | - | 49,858 | 56,741 | - |
| Other | 406,938 | 769 | 1,199 | 7 | 3,745 | 412,658 | 936 |
| TOTAL OPERATING REVENUES | 6,850,951 | 3,587,334 | 143,616 | 3,457,205 | 1,281,457 | 15,320,563 | 481,076 |
| OPERATING EXPENSES: | | | | | | | |
| Salaries and Fringe Benefits | 4,503,192 | 29,747 | 4,989 | 3,938 | 119,195 | 4,661,061 | 172,011 |
| Operating and Travel | 1,623,071 | 3,462,641 | 4,053 | 4,758,199 | 408,773 | 10,256,737 | 171,091 |
| Cost of Goods Sold | 136,468 | - | - | - | 50,256 | 186,724 | - |
| Depreciation and Amortization | 470,869 | 2,352 | 19,320 | 2,400 | 18,351 | 513,292 | 31,158 |
| Intergovernmental Distributions | 35,306 | 20,467 | 8 | - | 18,328 | 74,109 | - |
| Debt Service | - | - | - | - | 10,566 | 10,566 | - |
| Prizes and Awards | 287 | - | - | - | 425,950 | 426,237 | 21 |
| TOTAL OPERATING EXPENSES | 6,769,193 | 3,515,207 | 28,370 | 4,764,537 | 1,051,419 | 16,128,726 | 374,281 |
| OPERATING INCOME (LOSS) | 81,758 | 72,127 | 115,246 | (1,307,332) | 230,038 | (808,163) | 106,795 |
| NONOPERATING REVENUES AND (EXPENSES): | | | | | | | |
| Taxes | - | - | - | - | 34,626 | 34,626 | - |
| Fines and Settlements | 18 | - | - | 1,931 | 499 | 2,448 | 1 |
| Investment Income (Loss) | 260,823 | 26 | 16,921 | 28,270 | 20,728 | 326,768 | 2,004 |
| Rental Income | 33,988 | - | - | 1 | 15,339 | 49,328 | - |
| Gifts and Donations | 271,655 | - | - | - | 1,756 | 273,411 | - |
| Intergovernmental Distributions | (33,574) | - | - | - | (70,365) | (103,939) | - |
| Federal Grants and Contracts | 365,902 | - | 5,592 | - | - | 371,494 | - |
| Gain/(Loss) on Sale or Impairment of Capital Assets | (10,302) | - | 77,470 | - | (26) | 67,142 | 1,501 |
| Insurance Recoveries from Prior Year Impairments | 3,922 | - | - | - | 1,850 | 5,772 | 20 |
| Debt Service | (174,751) | - | (7,473) | - | (187) | (182,411) | (2,443) |
| Other Expenses | (3,848) | - | (312) | - | - | (4,160) | - |
| Other Revenues | 34,349 | - | - | - | 2,047 | 36,396 | - |
| TOTAL NONOPERATING REVENUES (EXPENSES) | 748,182 | 26 | 92,198 | 30,202 | 6,267 | 876,875 | 1,083 |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | 829,940 | 72,153 | 207,444 | (1,277,130) | 236,305 | 68,712 | 107,878 |
| CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS: | | | | | | | |
| Capital Contributions | 114,247 | - | - | - | 4,411 | 118,658 | 317 |
| Additions to Permanent Endowments | 20 | - | - | - | - | 20 | - |
| Transfers-In | 480,951 | - | 40 | 56 | 25,422 | 506,469 | 5,380 |
| Transfers-Out | (6,336) | (16,453) | - | (2,755) | (88,290) | (113,834) | (7,363) |
| TOTAL CONTRIBUTIONS AND TRANSFERS | 588,882 | (16,453) | 40 | (2,699) | (58,457) | 511,313 | (1,666) |
| CHANGE IN NET POSITION | 1,418,822 | 55,700 | 207,484 | (1,279,829) | 177,848 | 580,025 | 106,212 |
| NET POSITION - FISCAL YEAR BEGINNING | 1,683,539 | 8,038 | 1,153,149 | 1,278,298 | 396,996 | 4,520,020 | (506,485) |
| Prior Period Adjustments (See Note 15A) | - | 11,209 | - | - | - | 11,209 | - |
| Accounting Changes (See Note 15B) | 2,446 | - | - | - | - | 2,446 | - |
| NET POSITION - FISCAL YEAR BEGINNING (RESTATED) | 1,685,985 | 19,247 | 1,153,149 | 1,278,298 | 396,996 | 4,533,675 | (506,485) |
| NET POSITION - FISCAL YEAR ENDING | $ 3,104,807 | $ 74,947 | $ 1,360,633 | $ (1,531) | $ 574,844 | $ 5,113,700 | $ (400,273) |

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

**STATEMENT OF CASH FLOWS**
**PROPRIETARY FUNDS**
**FOR THE YEAR ENDED JUNE 30, 2020**

| (DOLLARS IN THOUSANDS) | BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS HIGHER EDUCATION INSTITUTIONS | HEALTHCARE AFFORDABILITY | TRANSPORTATION ENTERPRISE |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash Received from: | | | |
| Tuition, Fees, and Student Loans | $ 2,589,415 | $ - | $ - |
| Fees for Service | 2,531,702 | 1,128,988 | 123,560 |
| Receipts for Interfund Services | - | - | 1,633 |
| Sales of Products | - | - | - |
| Gifts, Grants, and Contracts | 1,669,286 | 2,359,186 | 24,587 |
| Loan and Note Repayments | 382,264 | - | - |
| Unemployment Insurance Premiums | - | - | - |
| Income from Property | 51,552 | - | - |
| Other Sources | 468,254 | 769 | 3,342 |
| Cash Payments to or for: | | | |
| Employees | (5,364,757) | (30,734) | (8,507) |
| Suppliers | (1,487,315) | (3,454,410) | (25,760) |
| Payments for Interfund Services | - | - | (640) |
| Sales Commissions and Lottery Prizes | - | - | - |
| Unemployment Benefits | - | - | - |
| Scholarships | (145,966) | - | - |
| Others for Student Loans and Loan Losses | (397,779) | - | - |
| Other Governments | (35,306) | - | (8) |
| Other | (208,398) | (4,147) | - |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 52,952 | (348) | 118,207 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Transfers-In | 361,967 | - | 40 |
| Transfers-Out | (6,336) | (16,453) | - |
| Receipt of Deposits Held in Custody | 226,195 | 36 | - |
| Release of Deposits Held in Custody | (228,667) | (36) | - |
| Gifts and Grants for Other Than Capital Purposes | 630,566 | - | - |
| Intergovernmental Distributions | (33,574) | - | - |
| Unclaimed Property Fund Interest | - | - | - |
| NonCapital Debt Proceeds | - | - | 6,368 |
| NonCapital Debt Service Payments | (754) | - | (6,368) |
| NET CASH FROM NONCAPITAL FINANCING ACTIVITIES | 949,397 | (16,453) | 40 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Acquisition of Capital Assets | (829,538) | (79,265) | (194,209) |
| Capital Contributions | 192,922 | - | - |
| Capital Gifts, Grants, and Contracts | 27,429 | - | - |
| Proceeds from Sale of Capital Assets | 30,493 | 59,274 | 127,097 |
| Capital Debt Proceeds | 1,071,891 | - | - |
| Capital Debt Service Payments | (1,098,661) | - | (5,395) |
| Capital Lease Payments | (17,997) | - | - |
| NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES | (623,461) | (19,991) | (72,507) |

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

| | | | GOVERNMENTAL ACTIVITIES |
|---|---|---|---|
| UNEMPLOYMENT INSURANCE | OTHER ENTERPRISES | TOTALS | INTERNAL SERVICE FUNDS |
| $ - | $ 1,726 | $ 2,591,141 | $ - |
| - | 191,064 | 3,975,314 | 2,657 |
| - | 5,285 | 6,918 | 460,891 |
| 7 | 712,442 | 712,449 | 1,619 |
| 2,075,682 | 283,332 | 6,412,073 | - |
| - | - | 382,264 | - |
| 548,094 | - | 548,094 | - |
| 1 | 17,587 | 69,140 | 14,400 |
| 28,347 | 110,234 | 610,946 | 805 |
| - | (221,945) | (5,625,943) | (261,067) |
| - | (179,528) | (5,147,013) | (97,241) |
| (9,449) | (4,880) | (14,969) | (64,473) |
| - | (480,722) | (480,722) | - |
| (3,501,479) | - | (3,501,479) | - |
| - | - | (145,966) | - |
| - | - | (397,779) | - |
| - | (18,736) | (54,050) | (1) |
| - | (218,081) | (430,626) | (864) |
| (858,797) | 197,778 | (490,208) | 56,726 |
| 56 | 26,037 | 388,100 | 5,404 |
| (2,755) | (88,290) | (113,834) | (7,363) |
| - | 1,044 | 227,275 | 731 |
| - | (692) | (229,395) | (275) |
| - | 1,756 | 632,322 | - |
| - | (68,095) | (101,669) | - |
| - | 2,036 | 2,036 | - |
| - | 129 | 6,497 | 87 |
| - | (129) | (7,251) | (87) |
| (2,699) | (126,204) | 804,081 | (1,503) |
| - | (122,532) | (1,225,544) | (37,965) |
| - | - | 192,922 | - |
| - | - | 27,429 | - |
| - | 65,390 | 282,254 | 35,037 |
| - | - | 1,071,891 | - |
| - | (682) | (1,104,738) | (64) |
| - | (369) | (18,366) | (23,779) |
| - | (58,193) | (774,152) | (26,771) |

(Continued)

**STATEMENT OF CASH FLOWS, CONTINUED**
**PROPRIETARY FUNDS**
**FOR THE YEAR ENDED JUNE 30, 2020**

| (DOLLARS IN THOUSANDS) | BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS HIGHER EDUCATION INSTITUTIONS | HEALTHCARE AFFORDABILITY | TRANSPORTATION ENTERPRISE |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Interest and Dividends on Investments | 113,010 | 198 | 7,515 |
| Proceeds from Sale/Maturity of Investments | 8,986,685 | - | 17,734 |
| Purchases of Investments | (9,284,724) | - | (15,095) |
| Increase(Decrease) from Unrealized Gain(Loss) on Investments | 84,404 | (171) | 9,325 |
| NET CASH FROM INVESTING ACTIVITIES | (100,625) | 27 | 19,479 |
| NET INCREASE (DECREASE) IN CASH AND POOLED CASH | 278,263 | (36,765) | 65,219 |
| CASH AND POOLED CASH , FISCAL YEAR BEGINNING | 1,384,846 | 36,765 | 301,668 |
| CASH AND POOLED CASH, FISCAL YEAR END | $ 1,663,109 | $ - | $ 366,887 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH | | | |
| PROVIDED BY OPERATING ACTIVITIES | | | |
| Operating Income (Loss) | $ 81,758 | $ 72,127 | $ 115,246 |
| Adjustments to Reconcile Operating Income (Loss) | | | |
| to Net Cash Provided by Operating Activities: | | | |
| Depreciation | 470,869 | 2,352 | 19,320 |
| Investment/Rental Income and Other Revenue in Operating Income | - | - | - |
| Rents, Fines, Donations, and Grants and Contracts in NonOperating | 81,501 | - | 5,592 |
| (Gain)/Loss on Disposal of Capital and Other Assets | 837 | - | - |
| Compensated Absences Expense | 46,998 | 64 | 26 |
| Interest and Other Expense in Operating Income | 1,933 | - | (7,450) |
| Net Changes in Assets, Deferred Outflows, Liabilities, and Deferred | | | |
| Inflows Related to Operating Activities: | | | |
| (Increase) Decrease in Operating Receivables | (23,257) | (270,666) | 1,770 |
| (Increase) Decrease in Inventories | 2,330 | - | - |
| (Increase) Decrease in Other Operating Assets and Deferred Outflows | (8,965) | - | (588) |
| (Increase) Decrease in Pension Deferred Outflow | 363,677 | 6,761 | 1,926 |
| (Increase) Decrease in OPEB Deferred Outflow | 2,688 | (186) | 15 |
| Increase (Decrease) in Accounts Payable | (25,572) | (2,062) | (12,428) |
| Increase (Decrease) in Pension Liability | (587,090) | (1,550) | (1,823) |
| Increase (Decrease) in OPEB Liability | (176,002) | 179 | (95) |
| Increase (Decrease) in Other Operating Liabilities and Deferred Inflows | 297,667 | 194,949 | 230 |
| Increase (Decrease) in Pension Deferred Inflow | (662,723) | (2,409) | (3,563) |
| Increase (Decrease) in OPEB Deferred Inflow | 186,303 | 93 | 29 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | $ 52,952 | $ (348) | $ 118,207 |
| SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS: | | | |
| Capital Assets Funded by the Capital Projects Fund | (8,534) | - | - |
| Capital Assets Acquired by Grants or Donations and Payable Increases | 36,813 | - | 124,116 |
| Unrealized Gain/Loss on Investments and Interest Receivable Accruals | 70,362 | - | 8,697 |
| Loss on Disposal of Capital and Other Assets | 132 | - | - |
| Disposal of Capital Assets | 2,345 | - | - |
| Amortization of Debt Valuation Accounts and Interest Payable Accruals | 38,792 | - | - |
| Assumption of Capital Lease Obligation or Mortgage | 2,350 | - | - |
| Financed Debt Issuance Costs | 813 | - | (48) |
| Gain on Debt Defeasance | 5,118 | - | - |
| Bad Debt Expense | 6,543 | - | - |
| Fair Value Change in Derivative Instrument | 3,675 | - | - |
| State Support for PERA Pensions | 24,372 | (37) | 40 |
| Noncapital Gifts | 1,078 | - | - |
| Loss on Debt Defeasance | (668) | - | - |
| Additions to Investments held by Foundation | 344 | - | - |
| Federal Receivables (BABS & CARES) | 896 | - | - |
| Proceeds from 2019A refunding Bonds | - | - | 44,645 |
| Payment of 2010A bonds | - | - | (42,820) |

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

| | | | GOVERNMENTAL ACTIVITIES |
|---|---|---|---|
| UNEMPLOYMENT INSURANCE | OTHER ENTERPRISES | TOTALS | INTERNAL SERVICE FUNDS |
| 28,254 | 13,906 | 162,883 | 208 |
| - | 13,848 | 9,018,267 | - |
| - | (292) | (9,300,111) | - |
| 16 | 8,610 | 102,184 | 1,796 |
| 28,270 | 36,072 | (16,777) | 2,004 |
| (833,226) | 49,453 | (477,056) | 30,456 |
| 1,168,252 | 511,865 | 3,403,396 | 56,811 |
| $ 335,026 | $ 561,318 | $ 2,926,340 | $ 87,267 |
| $ (1,307,332) | 230,038 | $ (808,163) | $ 106,795 |
| 2,400 | 18,351 | 513,292 | 31,158 |
| - | (2,191) | (2,191) | - |
| 1,932 | 52,353 | 141,378 | 50 |
| - | - | 837 | - |
| - | 1,592 | 48,680 | 2,251 |
| - | 13,812 | 8,295 | 1,006 |
| (473,005) | (1,957) | (767,115) | (558) |
| - | (971) | 1,359 | (390) |
| - | (70) | (9,623) | (199) |
| 1,500 | 46,396 | 420,260 | 41,790 |
| 7 | 65 | 2,589 | 91 |
| 41,455 | (4,401) | (3,008) | 9,682 |
| (3,717) | (72,193) | (666,373) | (61,824) |
| (182) | (3,830) | (179,930) | (3,054) |
| 880,592 | (3,270) | 1,370,168 | (939) |
| (2,579) | (79,231) | (750,505) | (71,750) |
| 132 | 3,285 | 189,842 | 2,617 |
| $ (858,797) | $ 197,778 | $ (490,208) | $ 56,726 |
| - | 615 | (7,919) | 292 |
| - | 3,796 | 164,725 | - |
| - | 1,078 | 80,137 | - |
| - | 55 | 187 | (1,472) |
| - | - | 2,345 | - |
| - | (616) | 38,176 | (452) |
| - | - | 2,350 | 20,773 |
| - | - | 765 | - |
| - | - | 5,118 | - |
| - | - | 6,543 | - |
| - | - | 3,675 | - |
| 56 | 545 | 24,976 | (417) |
| - | - | 1,078 | - |
| - | - | (668) | - |
| - | - | 344 | - |
| - | - | 896 | - |
| - | - | 44,645 | - |
| - | - | (42,820) | - |

## STATEMENT OF FIDUCIARY NET POSITION
## FIDUCIARY FUNDS
## JUNE 30, 2020

| (DOLLARS IN THOUSANDS) | PENSION AND OTHER EMPLOYEE BENEFIT TRUST | PRIVATE PURPOSE TRUST | AGENCY |
|---|---|---|---|
| ASSETS: | | | |
| Cash and Pooled Cash | $ 110,152 | $ 214,231 | $ 2,007,534 |
| Taxes Receivable, net | - | - | 229,801 |
| Other Receivables, net | 1,789 | 17,978 | 1,749 |
| Due From Other Funds | 1,860 | 12,022 | 18,476 |
| Due From Component Units | - | - | 113 |
| Restricted Cash and Pooled Cash | - | 76,643 | - |
| Investments: | | | |
| Government Securities | 6,049 | 480 | - |
| Corporate Bonds | 10,820 | - | - |
| Asset Backed Securities | 1,013 | - | - |
| Mortgages | 6,270 | 19,407 | - |
| Mutual Funds | 34,839 | 9,081,666 | - |
| Guaranteed Investment Contracts | - | 159,686 | - |
| Other Investments | 25,471 | 943 | - |
| Other Long-Term Assets | - | - | 8,739 |
| TOTAL ASSETS | 198,263 | 9,583,056 | 2,266,412 |
| LIABILITIES: | | | |
| Tax Refunds Payable | - | - | 1,696 |
| Accounts Payable and Accrued Liabilities | 23,691 | 23,632 | 4,748 |
| Due To Other Governments | - | - | 401,352 |
| Due To Other Funds | 4 | 317 | 134 |
| Intrafund Payables | 1 | - | - |
| Unearned Revenue | - | 23,471 | - |
| Claims and Judgments Payable | 22,928 | - | 58 |
| Other Current Liabilities | - | - | 1,854,145 |
| Deposits Held In Custody For Others | - | 6,364 | 4,247 |
| Accrued Compensated Absences | 139 | - | - |
| Other Long-Term Liabilities | - | - | 32 |
| TOTAL LIABILITIES | 46,763 | 53,784 | $ 2,266,412 |
| NET POSITION: | | | |
| Restricted for: | | | |
| OPEB | 84,527 | - | |
| Pension/Benefit Plan Participants | 66,973 | - | |
| Individuals, Organizations, and Other Entities | - | 9,529,272 | |
| TOTAL NET POSITION | $ 151,500 | $ 9,529,272 | |

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

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
## FIDUCIARY FUNDS
## FOR THE YEAR ENDED JUNE 30, 2020

| (DOLLARS IN THOUSANDS) | PENSION AND OTHER EMPLOYEE BENEFIT TRUST | PRIVATE PURPOSE TRUST |
|---|---|---|
| ADDITIONS: | | |
| Additions By Participants | $ - | $ 1,432,866 |
| Member Contributions | 92,386 | - |
| Employer Contributions | 380,817 | - |
| Investment Income/(Loss) | 6,674 | 363,511 |
| Unclaimed Property Receipts | - | 59,218 |
| Other Additions | 4,927 | 3,322 |
| Transfers- In | 1,576 | 1 |
| TOTAL ADDITIONS | 486,380 | 1,858,918 |
| DEDUCTIONS: | | |
| Distributions to Participants | 3,250 | 352,835 |
| Health Insurance Premiums Paid | 159,672 | - |
| Health Insurance Claims Paid | 244,489 | - |
| Other Benefits Plan Expense | 32,270 | - |
| Payments in Accordance with Trust Agreements | - | 976,362 |
| Other Deductions | 21,802 | - |
| Transfers- Out | 205 | 35 |
| TOTAL DEDUCTIONS | 461,688 | 1,329,232 |
| CHANGE IN NET POSITION | 24,692 | 529,686 |
| NET POSITION - FISCAL YEAR BEGINNING | 126,808 | 8,999,586 |
| NET POSITION - FISCAL YEAR ENDING | $ 151,500 | $ 9,529,272 |

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

## STATEMENT OF NET POSITION
## COMPONENT UNITS
## JUNE 30, 2020

| (DOLLARS IN THOUSANDS) | COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY | UNIVERSITY OF COLORADO FOUNDATION | OTHER COMPONENT UNITS | TOTAL |
|---|---|---|---|---|
| ASSETS: | | | | |
| Current Assets: | | | | |
| Cash and Pooled Cash | $ 245,559 | $ 44,845 | $ 3,982 | $ 294,386 |
| Contributions Receivable, net | - | 40,748 | - | 40,748 |
| Other Receivables, net | 78,538 | - | 6,738 | 85,276 |
| Due From Other Governments | 2,967 | - | - | 2,967 |
| Prepaids, Advances and Deposits | - | - | 969 | 969 |
| Other Current Assets | 74 | 405 | 3,821 | 4,300 |
| Total Current Assets | 327,138 | 85,998 | 15,510 | 428,646 |
| Noncurrent Assets: | | | | |
| Restricted Cash and Pooled Cash | 91,438 | - | 5,884 | 97,322 |
| Restricted Investments | 67,989 | - | - | 67,989 |
| Restricted Receivables | 1,055 | - | - | 1,055 |
| Investments | - | 2,142,113 | - | 2,142,113 |
| Contributions Receivable, net | - | 82,952 | - | 82,952 |
| Other Long-Term Assets | 943,282 | - | 218 | 943,500 |
| Depreciable Capital Assets and Infrastructure, net | 30 | 1,332 | 151,469 | 152,831 |
| Land and Nondepreciable Capital Assets | - | - | 25,335 | 25,335 |
| Total Noncurrent Assets | 1,103,794 | 2,226,397 | 182,906 | 3,513,097 |
| TOTAL ASSETS | 1,430,932 | 2,312,395 | 198,416 | 3,941,743 |
| DEFERRED OUTFLOW OF RESOURCES: | 2,951 | - | 115 | 3,066 |
| LIABILITIES: | | | | |
| Current Liabilities: | | | | |
| Accounts Payable and Accrued Liabilities | 11,043 | 14,646 | 7,780 | 33,469 |
| Due To Other Governments | 2,315 | - | - | 2,315 |
| Unearned Revenue | - | - | 4,816 | 4,816 |
| Notes, Bonds, and COPs Payable | 33,960 | - | - | 33,960 |
| Other Current Liabilities | 163,330 | 20,950 | 2,083 | 186,363 |
| Total Current Liabilities | 210,648 | 35,596 | 14,679 | 260,923 |
| Noncurrent Liabilities: | | | | |
| Deposits Held In Custody For Others | - | 447,774 | - | 447,774 |
| Notes, Bonds, and COPs Payable | 388,855 | | - | 388,855 |
| Net Pension Liability | 3,997 | - | 716 | 4,713 |
| Other Postemployment Benefits | 195 | - | 83 | 278 |
| Other Long-Term Liabilities | 26,474 | 19,240 | 6,195 | 51,909 |
| Total Noncurrent Liabilities | 419,521 | 467,014 | 6,994 | 893,529 |
| TOTAL LIABILITIES | 630,169 | 502,610 | 21,673 | 1,154,452 |
| DEFERRED INFLOW OF RESOURCES: | 2,993 | - | 308 | 3,301 |
| NET POSITION: | | | | |
| Net investment in Capital Assets: | (23) | 1,332 | 176,804 | 178,113 |
| Permanent Funds and Endowments: | | | | |
| Expendable | - | 1,073,982 | - | 1,073,982 |
| Nonexpendable | - | 671,904 | - | 671,904 |
| Other Purposes | 755,148 | - | 1,221 | 756,369 |
| Unrestricted | 45,596 | 62,567 | (1,475) | 106,688 |
| TOTAL NET POSITION | $ 800,721 | $ 1,809,785 | $ 176,550 | $ 2,787,056 |

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

## STATEMENT OF ACTIVITIES
## COMPONENT UNITS
## FOR THE YEAR ENDED JUNE 30, 2020

| (DOLLARS IN THOUSANDS) | COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY | UNIVERSITY OF COLORADO FOUNDATION | OTHER COMPONENT UNITS | TOTAL |
|---|---|---|---|---|
| EXPENSES | $ 33,706 | $ 214,070 | $ 42,766 | $ 290,542 |
| PROGRAM REVENUES: | | | | |
| Charges for Services | 25,685 | 4,741 | 49,644 | 80,070 |
| Operating Grants and Contributions | 35,552 | 248,290 | 32 | 283,874 |
| Capital Grants and Contributions | - | - | 3,977 | 3,977 |
| TOTAL PROGRAM REVENUES: | 61,237 | 253,031 | 53,653 | 367,921 |
| NET (EXPENSE) REVENUE | 27,531 | 38,961 | 10,887 | 77,379 |
| GENERAL REVENUES: | | | | |
| Unrestricted Investment Earnings (Losses) | 10,212 | 15,043 | 128 | 25,383 |
| TOTAL GENERAL REVENUES | 10,212 | 15,043 | 128 | 25,383 |
| CHANGE IN NET POSITION | 37,743 | 54,004 | 11,015 | 102,762 |
| NET POSITION - FISCAL YEAR BEGINNING | 762,978 | 1,755,781 | 159,366 | 2,678,125 |
| Accounting Changes (See Note 15B) | - | - | 6,169 | 6,169 |
| NET POSITION - FISCAL YEAR BEGINNING (Restated) | 762,978 | 1,755,781 | 165,535 | 2,684,294 |
| NET POSITION - FISCAL YEAR ENDING | $ 800,721 | $ 1,809,785 | $ 176,550 | $ 2,787,056 |

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

## NOTE 1 – 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. A summary of the State of Colorado's significant accounting policies applied in the preparation of these financial statements follows.

### A. NEW ACCOUNTING STANDARDS

The following accounting standards were implemented in Fiscal Year 2020:

GASB Statement No. 84- Fiduciary Activities. In 2020, the Auraria Higher Education Center early implemented GASB Statement No.84. The standard was not implemented at a statewide level. This Statement seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

### B. FINANCIAL 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, and agencies that make up the State's legal entity. The State's reporting entity also includes those component units that are legally separate entities, for which the State's elected officials are financially accountable.

Financial accountability is defined in GASB Statement No. 14 – The Financial Reporting Entity, as amended by GASB Statement No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34. The State is financially accountable for those entities for which the State appoints a voting majority of the governing board and either is able to impose its will upon the entity or there exists a financial benefit or burden relationship with the State.

For those entities that the State does not appoint a voting majority of the governing board, GASB Statement No. 14 includes them in the reporting entity if they are fiscally dependent and there exists a financial benefit or burden relationship with the State. Entities that do not meet the specific criteria for inclusion may still be included if it would be misleading to exclude them. Under GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14, 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.

**Blended Component Units:**

Some legally separate component units are so intertwined with the State that they are reported as part of the State's fund and government-wide financial statements and are considered blended component units.

The University Physicians Inc., d/b/a CU Medicine, is a Colorado non-profit corporation under Section 501(c)(3) of the Internal Revenue Code, organized to perform the billing, collection, and disbursement of functions for professional services rendered for CU Anschutz as authorized in Section 23-20-114 of the Colorado Revised Statutes (C.R.S). The State appoints a majority of CU Medicine's governing body, and is able to impose its will. Additionally, CU Medicine exclusively benefits the State by providing the services described above.

Incorporated in 2015 with operations starting in Fiscal Year 2017, the University of Colorado Property Construction, Inc. (CUPCO), receives, holds, invests, and administers real and personal property for the benefit of the University of Colorado. The State appoints CUPCO's governing body, is able to impose its will on the organization, and the organization provides services entirely to the State.

The entities noted below are blended component units of state universities and, as such, are included with the balances for state universities in this report. This report does not include any disclosures specific to these entities, as they do not meet the state's threshold for disclosure.

- $18^{th}$ Avenue, LLC
- Altitude West, LLC
- Colorado School of Mines Building Corporation
- Mines Applied Technology Transfer, Inc.
- SBCCOE Employee Benefit Trust Fund
- University License Equity Holdings, Inc.

**Discretely Presented Component Units:**

The Colorado Water Resources and Power Development Authority's purpose is to initiate, acquire, construct, maintain, repair, and operate, or cause to be operated, projects for the protection, preservation, conservation, upgrading, development, and utilization of the water resources of the State. The Governor appoints the Board of Directors, subject to approval by the Senate. In addition, water projects are subject to General Assembly authorization giving the state the ability to impose its will.

The University of Colorado Foundation was incorporated in 1967 and is authorized by the Board of Regents of the University of Colorado to 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. Management believes it would be misleading to exclude this entity.

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, upon the final defeasance of all its outstanding debt. Board members are appointed by the Governor, with consent of the Senate. The Board members serve at the pleasure of the Governor which gives the State the ability to impose its will.

In August 2010, the Board of Trustees of the Metropolitan State College of Denver (now Metropolitan State University of Denver) established the HLC @ Metro, Inc. as a non-profit entity to provide for the financing, construction, operation, and management of the Hotel and Hospitality Learning Center at MSU Denver. The facility, which opened in August 2012, includes a fully functioning hotel and learning laboratory for the University's Hospitality, Tourism, and Events department. The Board is appointed by the State through the Metropolitan State University of Denver Board of Trustees.

The Statewide Internet Portal Authority (SIPA) was created by Colorado Statute in 2004 to develop the officially recognized statewide internet portal (Colorado.gov) in order to connect citizens with state and local government in Colorado. SIPA provides governments with the efficient technology solutions they need to enable their citizens to obtain information and conduct business electronically. SIPA is governed by a Board of Directors that are all appointed by the State or member by ex-officio due to position in the State which gives the State the ability to impose its will.

The State's financial statements do not include amounts relating to several component units that would be discretely presented. Based upon the State's determination, the following component units do not meet the minimum threshold required to be included in the State's financial statements:

- Colorado Channel Authority
- Colorado Energy Research Authority
- Colorado Horse Development Authority
- Colorado Mesa University Real Estate Foundation
- Colorado National Guard Foundation, Inc.
- Colorado Pet Overpopulation Authority
- Higher Education Competitive Research Authority

**Contact:**

Detailed financial information on all component units may be obtained from the following address:

State of Colorado
Office of the State Controller
Financial Reporting & Analysis
1525 Sherman Street, 5th Floor
Denver, CO 80203
303-866-6200

**C. BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

The government-wide statements report all non-fiduciary 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 primary government is further subdivided between governmental activities and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities include proprietary funds financed in whole or in part by fees charged to external parties for goods or services.

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

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

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

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

Some of the State's component units have fiscal year-ends that differ from the State's fiscal year-end, and as a result amounts receivable and payable between the primary government and component units may not be equal. Amounts shown as receivable and payable between the primary government and the component units are primarily with the University of Colorado Foundation, which has a matching fiscal year end, but also includes 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.

## D. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

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 State's major funds report the following activities:

GOVERNMENTAL FUND TYPE (MAJOR):

General Fund

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

Federal Special Revenue Fund

This fund reports funds received from the Federal Government as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and Coronavirus Emergency Supplemental Funding (CESF) programs. These programs were passed in response to the economic fallout of the COVID-19 pandemic in the United States.

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.

PROPRIETARY FUND TYPE (MAJOR):

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.

Healthcare Affordability

The Colorado Healthcare Affordability and Sustainability Enterprise Act of 2017, created the Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) as a government-owned business within the Department of Health Care Policy and Financing to collect a healthcare affordability and sustainability fee from hospitals to provide business services to Colorado hospitals. This fee, not to exceed six percent of net patient revenues, is assessed on hospital providers.

Transportation Enterprise

This fund consists of the Bridge Enterprise and the High Performance Transportation Enterprise in the Department of Transportation. The bridge and highway construction activity is financed through bond issuances and user fees.

Unemployment Insurance

This fund accounts for the collection of unemployment insurance premiums from employers, related federal support, the payment of unemployed benefits to eligible claimants, and revenue bonds issued through a related party, the Colorado Housing and Finance Authority.

Internal Service Funds

The State uses internal service funds to account for the sale of goods and services, primarily to internal customers, on a cost reimbursement basis. The major fund concept does not apply to internal service funds. The State's Internal Service Funds reported in supplementary information include Central Services, Statewide Financial Information Technology, Information Technology, Capitol Complex, Highways, Public Safety, Administrative Courts, Legal Services, and Other Enterprise Services. In the fund financial statements, these activities are aggregated into a single column. In the government-wide statements, the Internal Service Funds are included in the governmental activities on the *Statement of Net Position,* and they are included in the *Statement of Activities* through an allocation of their net revenue/expense back to the programs originally charged for the goods or services.

FIDUCIARY FUND TYPE:

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

Pension and Other Employee 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 (1) members and beneficiaries of the Group Benefits Plan, which provides health, life, dental, and short-term disability benefits to state employees, and (2) the Colorado State University Other Post-Employment Benefit Trust Funds.

Private Purpose Trust Funds

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

Agency Funds

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

PRESENTATION OF INTERNAL BALANCES

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

FUNCTIONAL PRESENTATION OF EXPENDITURES

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

General Government

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

Business, Community, and Consumer Affairs

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

Education

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

Health and Rehabilitation

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

Justice

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

Natural Resources

Department of Natural Resources.

Social Assistance

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

Transportation

Department of Transportation.

## E. BASIS OF ACCOUNTING

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

FUND-LEVEL FINANCIAL STATEMENTS

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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.

## F. ACCOUNTING POLICIES AFFECTING SPECIFIC ASSETS, LIABILITIES, AND NET POSITION

### 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.

### RECEIVABLES

Accounts receivable in the governmental and business-type activities consist mainly of amounts due from the Federal Government, customers, and others. Receivables from the Federal Government are reasonably assured; accordingly, no allowance for uncollectible accounts has been established. Accrued taxes include receivables for taxpayer-assessed taxes where the underlying exchange has occurred in the period ending June 30 or prior, net of applicable estimated refunds and allowances.

### INVENTORIES AND PREPAIDS

Inventories of the various State agencies are primarily comprised of finished goods inventories held for resale and consumable items such as office and institutional supplies, fuel, and maintenance items.
Inventories of the governmental funds are stated at cost, while inventories of the proprietary funds are stated at the lower of cost or fair value. The State uses various valuation methods (FIFO, average cost, etc.) as selected by individual State agencies. The method used in each agency is consistent from year to year.
Consumable inventories that are deemed material are expended at the time they are consumed. Immaterial consumable inventories are expended at the time of purchase, while inventories held for resale are expensed at the time of sale.
Payments made to vendors for services representing costs applicable to future accounting periods are recorded as prepaid items in both the government-wide and fund financial statements.

### INVESTMENTS

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 investments which are measured at their Net Asset Value (see Note 4). 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.

### CAPITAL ASSETS

Depreciable capital assets are reported at historical cost, net of accumulated depreciation, on the government-wide *Statement of Net Position*. Donated capital assets are carried at their estimated acquisition value at the date of donation. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. 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, buildings, intangibles, and infrastructure. All land and library materials/collections are capitalized regardless of cost.

| Asset Class | Lower Threshold | Established State Thresholds |
|---|---|---|
| Land Improvements | $ 5,000 | $ 50,000 |
| Buildings | 5,000 | 50,000 |
| Leasehold Improvements | 5,000 | 50,000 |
| Intangible Assets | 5,000 | 50,000 |
| Vehicles and Equipment | NA | 5,000 |
| Software (purchased) | NA | 5,000 |
| Software (internally developed) | NA | 50,000 |
| Works of Art/Historical Treasure | NA | 5,000 |
| Other | 5,000 | NA |
| Infrastructure | 5,000 | 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. Useful life for intangible assets, excluding software, vary based upon the nature of the asset.

| Asset Class | Estimated Useful Life |
|---|---|
| Land Improvements | 5 to 50 years |
| Buildings | 3 to 122 years |
| Leasehold Improvements | 2 to 50 years |
| Vehicles and Equipment | 2 to 50 years |
| Software | 2 to 20 years |
| Library Books & Collections | 3 to 20 years |
| Other Capital Assets | 3 to 25 years |
| Infrastructure | 10 to 75 years |

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.

With the exceptions of the University of Colorado and the Colorado Community College System, which early-implemented GASB Statement No. 89 in FY 2018, and the Metropolitan State University, which early-implemented GASB Statement No. 89 in FY 2019, the State capitalizes interest incurred during the construction of capital assets that are reported in enterprise funds.

**UNEARNED REVENUE AND DEFERRED INFLOWS**

Under reimbursement agreements, receipts from the federal government and other program sponsors are not earned until the related expenditures occur. These receipts are recorded as unearned revenue, except for amounts recorded as deferred inflows when the only eligibility requirement not met is the time requirement.
On the fund-level governmental financial statements, revenues related to taxes receivable that the State does not expect to collect until after the following fiscal year, are not earned and are reported as deferred inflows. However, taxes receivable are recognized as revenue on the government-wide financial statements.

**ACCRUED COMPENSATED ABSENCES LIABILITY**

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.

Compensated absence liabilities related to the governmental funds are recognized as liabilities of the fund only to the extent that they are due and payable at June 30. For all other fund types, both current and long-term portions are recorded as individual fund liabilities. On the government-wide *Statement of Net Position,* all compensated absence liabilities are reported.

**INSURANCE**

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

The State insures its property through a combination of self-insurance and commercial insurance carriers and is self-insured against liability risks for both its officials and employees (see Note 9). It is self-funded for employee healthcare plans, however, in the healthcare instance, the risk resides with the employees, because the State contribution to the plan is subject to appropriation each year, and employees are required to cover the balance of any premiums due. The State pays the actual costs of unemployment benefits paid to separated employees, rather than unemployment insurance premiums.

**NET POSITION**

In the government-wide and proprietary fund financial statements, net position is the difference between assets, liabilities, deferred inflows, and deferred outflows. Net investment in capital assets, represents capital assets; less accumulated depreciation; and less any outstanding borrowings related to the acquisition, construction, or improvement of those assets. Certain net positions are restricted for highway maintenance, education, unemployment insurance, debt service, donor restrictions, and various other funds that were established at the direction of the federal government, the courts, the State Constitution, or other external parties.

**FUND BALANCES**

Nonspendable – Nonspendable fund balances are amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained. This fund balance category consists of inventories; prepaid expenditures such as advances to counties for social assistance programs, local entities for species conservation, and to Colorado cities and special districts from emergency management funds; permanent funds related to state lands, and the corpus of other permanent funds.

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

Committed – This fund balance classification consists of amounts constrained by the General Assembly, the State's highest level of decision-making authority. Changes to constraints require legislative action by the General Assembly. The classification applies to the majority of governmental funds, excluding the General Purpose Revenue Fund.

In the General Purpose Revenue Fund, the Committed category represents the requirement in Colorado Revised Statutes 24-75-201.1(1)(d). See Note 15 and Note RSI 4 for additional information.

Committed balances also include earned augmenting revenue, such as insurance proceeds, that State agencies are not required to revert into the General Purpose Revenue Funds' 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 General Purpose Revenue Fund fund balance related to certain Fiscal Year 2020 appropriations that the Colorado State Controller approved in accordance with Fiscal Rule 7-3 for use in the subsequent fiscal year.

Unassigned – This is the residual classification for the General Fund. A negative unassigned amount can be reported for governmental funds other than the general fund if total fund balance is not sufficient to classify restricted and committed amounts.

When an expenditure incurred could be funded from either restricted or unrestricted sources, unrestricted dollars are spent first, and within unrestricted sources funding is allocated first from unassigned, then assigned, and then committed resources. However, in certain circumstances restricted and/or committed resources are spent without regard to other available funding sources including transfers to pay indirect costs, to fund programs operating in the General Purpose Revenue Fund, to support health-related programs funded by tobacco tax, to support programs partially funded by Highway Users' Tax funds, and other situations that are not individually significant.

## G. ACCOUNTING POLICIES AFFECTING REVENUES, EXPENDITURES/ EXPENSES

**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
- Intergovernmental revenues (including capital and operating grants)

**INDIRECT COST ALLOCATION**

The State allocates indirect costs on the government-wide *Statement of Activities*. In general, the allocation reduces costs shown in the general government functions and increases costs in the other functions and business-type activities. The allocation is based on the Statewide Appropriations/Cash Fees Plan.

The Plan uses allocation statistics from Fiscal Year 2017 and costs from the Fiscal Year 2019 Appropriations bill that were incorporated in State agency budgets for Fiscal Year 2020. The allocation of costs between the governmental activities and business-type activities would normally result in an adjustment of internal balances on the government-wide *Statement of Net Position*. However, since the amount allocated from the governmental activities to the business-type activities is small, an offsetting adjustment is made to the (Transfers-Out)/Transfers-In line item at the bottom of the *Statement of Activities.*

**OPERATING REVENUES AND EXPENSES**

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 Position* and cash from operations on the *Statement of Cash Flows.* However, certain exceptions occur including:

- Interest earnings and expenses of proprietary funds, for which the core business activity is lending, are reported as operating revenues and expenses on the *Statement of Revenues, Expenses, and Changes in Net Position* but are reported as investing activities on the *Statement of Cash Flows.*

- Some rents, fines, donations, and certain grants and contracts are reported as nonoperating revenues on the *Statement of Revenues, Expenses, and Changes in Net Position*, but are reported as cash from operations on the *Statement of Cash Flows.*

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

**NOTE 2 – STEWARDSHIP, ACCOUNTABILITY, AND LEGAL COMPLIANCE**

**A. OVEREXPENDITURES**

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. In the General Purpose Revenue Fund and Regular Capital Projects Fund, if earned cash revenues plus available reserved fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general-funded expenditures. If general-funded expenditures exceed the general-funded appropriation, then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Absent general-funded appropriations, agencies are not allowed to use general-purpose revenue to support an expenditure/expense that was appropriated from cash or federal funds. Budget-to-actual comparisons are presented in the Required Supplementary Information Section. 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 Section 24-75-109, C.R.S. Unlimited overexpenditures are allowed in the Medicaid program. The statute also provides for $250,000 of general-funded overexpenditure authority in the Children's Basic Health Plan. The Department of Human Services is allowed $1.0 million of overexpenditures not related to Medicaid, and unlimited overexpenditures for self-insurance of its workers' compensation plan. Statute also allows overexpenditures up to $3.0 million in total for the remainder of the Executive Branch. An additional $1.0 million of combined transfers and overexpenditures are allowed for the Judicial Branch.

The State Controller is generally required by statute to restrict the subsequent year appropriation whether or not an overexpenditure is approved. Such a restriction requires the agency to seek a supplemental appropriation from the General Assembly, earn adequate cash or federal revenue to cover the expenditure in the following year, and/or reduce their subsequent year's expenditures. Per Section 24-75-109(2)(b) C.R.S., 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, 2020, were $45.7 million as described in the following paragraphs.

Approved Medicaid Overexpenditures:

- Medical and L-T Care Services for Medicaid Eligible Individuals – The Department of Health Care Policy & Financing overspent this line item by $22.5 million general funds. This line item covers expenditures for the majority of services rendered for Medicaid members. The Department collected much lower rebates and outpatient cost settlements than budgeted which resulted in less expenditures being offset.

- Children's Basic Health Plan Medical and Dental Costs – The Department of Health Care Policy & Financing overspent this line item by $0.4 million cash funds. The Department under forecasted the cost per member in the CHP+ expansion population. As part of the forecast, the Department projects how much will be paid in retroactive capitations and more was paid on these retroactive capitations than projected.

- Behavioral Health Fee-for-Service Payments – The Department of Health Care Policy & Financing overspent this line item by $0.3 million cash funds. The behavioral health fee-for-service line represents expenditures that are excluded from coverage under the behavioral health capitation, either because the member is not attributed to the Regional Accountable Entity or the service fell outside of the contractual requirements of covered services. The overexpenditure occurred due to utilization growing by more than projected in the second half of the year.

- Behavioral Health Capitation Payments – The Department of Health Care Policy & Financing overspent this line item by $1.3 million cash funds. The Department received recent guidance from its federal partner that it could not draw an enhanced 90% match for any portion of the incentive payments paid to the Regional Accountable Entities (RAEs). The Department budgeted for the 90% match for the amount allocated to the Affordable Care Act expansion populations with the 10% share coming from the CHASE fund, but could only claim 50% match for that amount with the 50% share coming from the HAS fee.

- DHS - Mental Health Institutes – The Department of Health Care Policy & Financing overspent this line item by $0.06 million general funds. The overexpenditure is a result of higher than anticipated claims being billed to the Department by the Department of Human Services. The Department of Human Services (DHS) sets the spending authority for this appropriation. Each year, DHS submits an annual budget request to true up the Mental Health Institute (MHI) line item spending authority based on current MHI population mix. DHS underestimated the costs for this line item for Fiscal Year 2020.

- Division of Youth Corrections – Medicaid Funding – The Department of Health Care Policy & Financing overspent this line item by $0.3 million general funds. The overexpenditure is a result of a larger than expected number of child welfare claims payments identified by the Department of Human Services to be associated with the Division of Youth Services. The Department of Human Services (DHS) requests funding for this appropriation based on anticipated Medicaid costs for the Division of Youth Services. DHS underestimated the costs for this line item.

- Medicare Modernization Act Contribution – The Department of Health Care Policy & Financing overspent this line item by $1.7 million general funds. The overexpenditure occurred due to large increases in retroactive enrollment of dual eligible clients in the second half of the year, which resulted in higher-than-anticipated monthly invoice totals. The is a one-time problem and not expected to occur again in the future.

- Clinic Based Indigent Care – The Department of Health Care Policy & Financing overspent this line item by $0.002 million general funds. The overexpenditure occurred due to a miscalculation of the amount of federal funds from the Families First Coronavirus Response Act available to supplant General Fund for this line item. The calculation used an incorrect figure to determine the revised spending authority and consequently over-reduced the General Fund spending authority.

Approved Department of Human Services Overexpenditures, Other Than Medicaid, subject to the $1.0 million limit:

- None at June 30, 2020.

Approved State Departments Overexpenditures Subject to the $3.0 Million Limit:

- Local Election Reimbursement – The Secretary of State overspent this line item by $1.0 million general funds. Proposition 107, approved by voters in November 2016, restored the Presidential Primary and authorized participation by unaffiliated voters. SB17-305 codified in statute that counties will be reimbursed from the General Fund for their actual direct costs for the preparation and conduct of the Presidential Primary Election. Accurately estimating these costs was difficult for counties considering it had been many years since Colorado last conducted a presidential primary and the state had never conducted such an election that allowed for the participation of unaffiliated voters. When counties actually conducted this election on March

3, 2020, their actual expenses significantly exceeded this estimate due largely to greater than anticipated voter participation.

Approved Judicial Overexpenditures, subject to the $1.0 million limit:

- None at June 30, 2020.

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

- Professional Development Cash Fund – The Department of Personnel and Administration had a deficit fund balance in this fund of $0.4 million. The Center for Organizational Effectiveness (COE) had projected a small positive fund balance at fiscal year-end considering that many departments spend money on training toward the end of the fiscal year. Due to the COVID-19 pandemic, the significant economic downturn with projected budgetary shortfalls, and direction to cut spending in Fiscal Year 2020 (particularly spending on training), revenue from March - June 2020 was insufficient to cover fund expenditures.

- Colorado Office of Film, Television and Media Operational Account – The Governor's Office of Economic Development and International Trade had a deficit balance in this fund of $0.2 million. The transfer of Gaming revenues to this fund was repealed in with the passage of House Bill 20-1399. Historically, funds distributed in August were used to cover the prior year's spending. The legislation was signed on June 30 resulting in the loss of the revenue stream to cover Fiscal Year 2020 expenditures.

- Highway Fund – The Department of Transportation had a deficit in this fund of $0.2 million. This fund provides the following services: Print Shop, State Fleet and Sign Shop services. The Print Shop has not been able to cover its expenses and is now closed. The Sign Shop is working on reducing the deficit fund balance. The deficit fund balance has decreased from $0.4 million in the prior year and it is forecasted that 24 months will be needed to cover this deficit fund balance.

Unemployment Insurance Fund – The Department of Labor and Employment had a deficit in this fund of $15.3 million. Due to the recession caused by the COVID-19 pandemic, estimated unemployment insurance benefits payable exceeded available and estimated resources at the end of Fiscal Year 2020. The Department has options available to address the deficit including, but not limited to, assessing unemployment insurance premium surcharges. The Department does not expect that this would be an ongoing problem outside of unprecedented circumstances like the COVID-19 pandemic.

- Parks Internal Improvement Fund – The Department of Natural Resources had a deficit in the fund of $0.009 million. The State Land Board (SLB) has investment properties that are managed by a commercial property management company. The investment company distributed $16,719 over the net income for the fiscal year. As a trust fund, the transfer is not reversible. The SLB will hold funds to cover the deficit before final transfers are made to the Parks Cash Fund.

The deferral of Medicaid expenditures and revenues for budget purposes only is authorized in Section 25.5-8-108(5) C.R.S. However, those expenditures are recognized in the current fiscal year for financial statement presentation under Generally Accepted Accounting Principles (GAAP). The recognition of those expenditures on the GAAP basis resulted in fund balance deficits. Because the budget deferral that caused the GAAP deficit fund balance is in compliance with statute, no restriction of Fiscal Year 2021 spending authority is recommended. The following cash funds were in a deficit fund balance position as a result of Department of Health Care Policy and Financing Medicaid activity as of June 30, 2020:

- Medicaid Buy-In Cash Fund - $0.2 million
- Health Care Expansion Fund - $1.8 million

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. 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.

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 from 2006 through 2010. With the end of the Referendum C five-year excess revenue retention period, the State is subject to an Excess State Revenue Cap (ESRC), which began in Fiscal Year 2011. Calculation of the original TABOR limit continues to apply, but the ESRC replaces the previous TABOR limit for triggering taxpayer refunds. The beginning base for the ESRC was the highest adjusted TABOR revenue during the five-year period, which occurred in Fiscal Year 2008.

In Fiscal Year 2020, revenue subject to TABOR was $14,873.8 million, which fell below the $14,956.4 million ESRC by $82.6 million, and by $2,624.8 million over the original TABOR limit. Therefore, there is not a refund payable from Fiscal Year 2020 revenue. During the year, the State reimbursed $94.8 thousand of the Fiscal Year 2015 refund payable through the sales tax and earned income tax credit mechanisms, $140.8 million of the Fiscal Year 2019 refund payable through the property tax reimbursement mechanism, and $147.4 million of the Fiscal Year 2019 refund payable through the income tax rate reduction mechanism. Total TABOR refunds in Fiscal Year 2020 were $288.3 million. The State's liability for TABOR refunds was $144.0 million at June 30, 2020, which includes prior-year revenue adjustments of $575,228. Since the inception of Referendum C in Fiscal Year 2006, the State has retained $24,440.8 million (unadjusted for prior year errors) – $3,593.6 million during the initial five-year revenue retention period, and an additional $20,847.2 million as a result of the higher ESRC limit in Fiscal Year 2011 through Fiscal Year 2020.

TABOR requires the State to reserve three percent of fiscal year nonexempt revenues for emergencies. The estimated reserve amount for Fiscal Year 2020 was based on the revenue projection prepared in March 2019 by the Legislative Council. In the Long Appropriations Act, the funds designated below and the maximum balances from each, constitute the reserve.

At June 30, 2020, the financial net positions, or fund balances of the following funds were restricted:

- Major Medical Fund, a portion of the nonmajor Labor Fund – $70.0 million maximum set in the Long Appropriations Act. At June 30, 2020, the fund's net assets were less than $70.0 million. Available cash and investments totaling $66.6 million were restricted.

- Wildlife Cash Fund, a portion of the nonmajor Parks and Wildlife Enterprise Fund – $34.0 million.

- Perpetual base account of the Severance Tax Fund, a portion of the major Resource Extraction Fund – $33.0 million.

- Colorado Water Conservation Board Construction Fund, a portion of the major Resource Extraction Fund – $33.0 million.

- Controlled Maintenance Trust Fund, a portion of the major General Fund – $96.0 million maximum set in the Long Appropriations Act. At June 30, 2020, the fund's net assets were less than $96.0 million. Operating cash totaling $75.5 million was restricted. During the fiscal year, $23.0 million was transferred from the Controlled Maintenance Trust Fund to the Disaster Emergency Fund, through Executive Order D 2020 032, in response to the COVID-19 pandemic.

- Unclaimed Property Tourism Promotion Trust Fund, a portion of the nonmajor Private Purpose Trust Fund – $5.0 million.

The 2019 legislative session Long Appropriations Act also designated up to $178.6 million of State properties as the remainder of the emergency reserve.

Based on actual fiscal year nonexempt revenues in Fiscal Year 2020, the required reserve was $446.2 million. Because the actual reserve requirement was more than the net assets of the Major Medical and Controlled Maintenance Trust funds and the maximum amounts designated for the other funds – including the State properties – the total amount restricted for the reserve was less than the combined maximums allowable in the designated funds as detailed above.

The amount restricted for the reserve was $20.5 million 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.

## NOTE 3 – CASH, RECEIVABLES, INVENTORIES, PREPAIDS, AND OTHER

### CASH AND POOLED CASH

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 be invested 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 are shown in the Treasurer's Investment Reports. 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.

The State had an accounting system cash deposit balance of $1,057.3 million as of June 30, 2020. Under the GASB Statement No. 40 definitions, $58.0 million of the State's total bank balance of $1,299.8 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.

### RECEIVABLES

The Taxes Receivable of $2,834.0 million shown on the government-wide *Statement of Net Position* in current assets net of long-term taxes receivable of $188.6 million, primarily comprises the following:

- $2,864.2 million in the General Purpose Revenue Fund, mainly self-assessed income and sales tax. This amount includes $188.6 million of Taxes Receivable expected to be collected after one year that are reclassified on the *Governmental Funds Balance Sheet Reconciled to Statement of Net Position* so they can be reported as Other Long-Term Assets on the government-wide *Statement of Net Position*.

- $86.9 million of unemployment insurance premiums receivable primarily recorded in the Unemployment Insurance Fund.

- $68.8 million recorded in non-major special revenue funds that include approximately $32.6 million from insurance premium tax and $5.4 million from gaming tax.

The Restricted Receivables of $453.6 million shown for Governmental Activities on the government-wide *Statement of Net Position* in non-current assets related primarily to $1.1 million of taxes receivable, $152.8 million of other receivables, and $289.8 million of intergovernmental receivables recorded in the Highway Users Tax Fund and State Highway 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 and State Highway Fund. The tax receivable was primarily fuel taxes while the intergovernmental receivable was primarily due from the Federal Government.

The Other Receivables of $1,393.4 million shown on the government-wide *Statement of Net Position* are net of $718.5 million in allowance for doubtful accounts and primarily comprise the following:

- $441.8 million of receivables recorded in the General Fund, of which $34.1 million is from interest receivable on investments. The Department of Health Care Policy and Financing recorded receivables of $381.6 million related primarily to rebates from drug companies and overpayments to healthcare providers, and the Colorado Mental Health Institutes recorded $7.1 million of patient receivables.

- $543.1 million of student and other receivables of Higher Education Institutions.

- $107.2 million of receivables recorded by the Department of Health Care Policy and Financing in the Colorado Healthcare Affordability and Sustainability Enterprise Fund related primarily to rebates from drug companies associated with prescriptions for Medicaid clients.

- $59.7 million of receivables recorded by the Department of Labor and Employment for unemployment insurance overpayments.

**INVENTORIES**

Inventories of $199.5 million shown on the government-wide *Statement of Net Position* at June 30, 2020, primarily comprise the following:

- $78.8 million of resale inventories with the majority being reported by the Resource Extraction Fund - $34.7 million, Higher Education Institutions - $30.2 million, and the Highway Users Tax Fund - $10.1 million.

- $100.6 million of consumable supplies inventories, of which $42.1 million was recorded by Resource Extraction Fund, $11.0 million was recorded by the Higher Education Institutions, $10.6 million was recorded by the Highway Users Tax Fund, and $28.7 million was recorded in the Disaster Emergency Fund.

- $11.7 million of manufacturing related inventories recorded by Correctional Industries, a nonmajor enterprise fund.

**PREPAIDS, ADVANCES, AND DEPOSITS**

Prepaids, Advances, and Deposits of $582.2 million shown on the government-wide *Statement of Net Position* are primarily general prepaid expenses. The significant items include:

- $413.0 million advanced federal Coronavirus Relief Funds that remained unspent as of June 30, 2020, which primarily consisted of $16.9 million advanced to area vocational schools and local district colleges, and $396.0 million advanced to school districts and charter schools.

- $46.5 million advanced to Colorado counties by the General Purpose Revenue Fund primarily related to emergency management and social assistance programs.

- $21.2 million prepaid by Higher Educational Institutions, of which $4.2 million primarily related to cash payments for library subscriptions at Colorado State University.

- $16.1 million in advances to Colorado cities and special districts by the Division of Homeland Security and Emergency Management.

- $10.6 million advanced to conservation organizations by the Department of Natural Resources from the Species Conservation Fund, a portion of the Resource Extraction Fund.

- $8.3 million prepaid by the Governor's Office of Information Technology primarily for multi-year maintenance and licensing agreements.

- $6.2 million prepaid from the Marijuana Tax Cash Fund was to designated service organizations by the Department of Human Resources primarily for behavioral health.

- $5.9 million of prize expense paid by the Colorado Lottery to a multistate organization related to participation in the Powerball lottery game.

**OTHER LONG-TERM ASSETS**

The $895.6 million shown as Other Long-Term Assets on the government-wide *Statement of Net Position* is primarily long-term taxes receivable and long-term loans. Long-term taxes receivable of $188.6 million recorded in the General Purpose Revenue Fund are not included as Other Long-Term Assets on the *Balance Sheet – Governmental Funds* but are shown in Taxes Receivable.

The $582.4 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 ($20.7 million), a non-major special revenue fund, and the Resource Extraction Fund ($490.8 million), a non-major special revenue fund. This balance primarily comprises water loan activity. The Water Conservation Board makes water loans from the Water Projects Fund, part of the Resource Extraction Fund, to local entities for the purpose of constructing water projects in the State.

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

The $123.7 million shown as Other Long-term Assets on the *Statement of Net Po sition – Proprietary Funds* is primarily student loans issued by Higher Education Institutions but also includes livestock.

## NOTE 4 – INVESTMENTS

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.

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 6 and other pension funds are not considered public funds. In general, the statute allows investment in: Certificates of Participation related to a lease or lease purchase commitment, local government investment pools, repurchase and reverse repurchase agreements (with certain limitations), securities lending agreements, corporate or bank debt securities denominated in US dollars, guaranteed investment or interest contracts including annuities and funding agreements, securities issued by or fully guaranteed by the United States Treasury or certain federal entities and the World Bank, inflation indexed securities issued by the United States Treasury, general obligation and revenue debt of other states in the United States and their political subdivisions (including authorities), or registered money market funds with policies that meet specific criteria.

The statute establishes high minimum credit quality ratings 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 into securities lending agreements that meet certain requirements. The statute prohibits investment in subordinated securities and securities that do not have fixed coupon rates unless the variable reference rate is a United States Treasury security with maturity less than one year, the London Interbank Offer Rate, or the Federal Reserve cost of funds rate. The above statutory provisions do not apply to the University of Colorado.

Colorado Revised Statutes 24-36-113 authorizes securities in which the State Treasurer may invest and requires prudence and care in maintaining investment principal and maximizing interest earnings. In addition to the investments authorized for all public funds, the State Treasurer may invest in: securities of the federal government and its agencies and corporations without limitation, asset-backed securities, certain bankers' acceptances or bank notes, certain commercial paper, certain international banks, certain loans and collateralized mortgage obligations and certain debt obligations backed by the full faith and credit of the state of Israel. The Treasurer’s statute also establishes credit quality rating minimums specific to the Treasurer’s investments. The Treasurer’s statute is the basis for a formal investment policy published on the State Treasurer’s website. In addition to the risk restrictions discussed throughout this Note 4, the Treasurer’s investment policy precludes the purchase of derivative securities.

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2020 and 2019, the treasurer had $76.9 million and $97.2 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 $12.0 million of investment in residential mortgages representing payments of property taxes of certain elderly State citizen homeowners that qualify for the Property Tax Deferral Program. The investment is valued based on the outstanding principal and interest currently owed to the State as there is no quoted market price for these investments.

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

| (Amounts in Thousands) | Carrying Amount |
|---|---|
| Footnote Amounts | |
| Deposits (Note 3) | $ 1,057,253 |
| Investments: | |
| Governmental Activities | 12,394,968 |
| Business-Type Activities | 3,664,639 |
| Fiduciary Activities | 9,346,644 |
| Total | $ 26,463,504 |
| | |
| Financial Statement Amounts | |
| Net Cash and Pooled Cash | $ 6,876,581 |
| Add: Warrants Payable Included in Cash | 396,122 |
| Total Cash and Pooled Cash | 7,272,703 |
| Add: Restricted Cash | 3,402,407 |
| Add: Restricted Investments | 1,508,297 |
| Add: Investments | 14,280,097 |
| Total | $ 26,463,504 |

## Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure, the State will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. 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.

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

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 tables list the investments of the State Treasurer's pooled cash, major governmental funds, and nonmajor governmental funds in aggregate, by investment type at fair value.

| | (Amounts in Thousands) Governmental Activities | | | | |
|---|---|---|---|---|---|
| | Treasurer's Pool | General Fund | Highway Users Tax | Other Governmental | Total |
| NOT SUBJECT TO CUSTODIAL CREDIT RISK | | | | | |
| U.S. Treasury Bills | $ 572,969 | $ - | $ - | $ 5,199 | $ 578,168 |
| U.S. Treasury Notes/Bonds | 705,531 | - | - | 199,135 | 904,666 |
| U.S. Agency Securities (Not Explicitly Guaranteed) | 227,187 | - | - | 71,947 | 299,134 |
| Commercial Paper | 384,969 | - | - | - | 384,969 |
| Corporate Bonds | 3,424,098 | - | - | 486,599 | 3,910,697 |
| Municipal Bonds | 49,298 | - | - | - | 49,298 |
| Money Market Mutual Funds | 2,942,000 | - | - | 837 | 2,942,837 |
| Asset-Backed Securities | 659,868 | - | - | 32,235 | 692,103 |
| Mortgage-Backed Securities | 458,034 | 12,005 | - | 229,811 | 699,850 |
| Sovereigns/Supranationals | 193,903 | - | - | 21,368 | 215,271 |
| Equity Mutual Funds | - | - | - | 246,270 | 246,270 |
| Other | - | 323,516 | 2,290 | 1,144,982 | 1,470,788 |
| SUBTOTAL | 9,617,857 | 335,521 | 2,290 | 2,438,383 | 12,394,051 |
| SUBJECT TO CUSTODIAL CREDIT RISK | | | | | |
| Money Market Mutual Funds | - | - | - | 917 | 917 |
| SUBTOTAL | - | - | - | 917 | 917 |
| TOTAL | $ 9,617,857 | $ 335,521 | $ 2,290 | $ 2,439,300 | $ 12,394,968 |

The following table lists the investments of the major enterprise funds and fiduciary funds by investment type at fair value as of June 30, 2020. The University of Colorado, Colorado State University, and the Colorado School of Mines reported investments in the internal pools of their respective foundations. These investments are reported as Investment in Foundation Pool.

| (Amounts in Thousands) | | | | |
|---|---|---|---|---|
| | Business-Type Activities | | | Fiduciary |
| | Higher Education Institutions | Transportation Enterprise | Total | Fiduciary |
| NOT SUBJECT TO CUSTODIAL CREDIT RISK | | | | |
| U.S. Treasury Bills | $ 23,060 | $ - | $ 23,060 | $ 480 |
| U.S. Treasury Notes/Bonds | 110,122 | - | 110,122 | 3,947 |
| U.S. Agency Securities (Explicitly Guaranteed) | 26 | - | 26 | - |
| U.S. Agency Securities (Not Explicitly Guaranteed) | 85,023 | - | 85,023 | - |
| Commercial Paper | 2,002 | - | 2,002 | - |
| Corporate Bonds | 296,593 | - | 296,593 | 10,820 |
| Municipal Bonds | 15,672 | - | 15,672 | 2,103 |
| Money Market Mutual Funds | 333,864 | - | 333,864 | 545 |
| Bond Mutual Funds | 185,582 | - | 185,582 | 9,244 |
| Asset-Backed Securities | 186,341 | - | 186,341 | 1,013 |
| Investment In Foundation Pool | 473,416 | - | 473,416 | - |
| Mortgage-Backed Securities | 99,928 | - | 99,928 | 25,677 |
| Guaranteed Investment Contracts | 13,251 | - | 13,251 | - |
| Corporate Equities | 2,769 | - | 2,769 | - |
| Private Equities | - | - | - | 4,340 |
| Equity Mutual Funds | 1,105,512 | - | 1,105,512 | 25,050 |
| Other | 246,898 | 15,667 | 262,565 | 21,129 |
| SUBTOTAL | 3,180,059 | 15,667 | 3,195,726 | 104,348 |
| SUBJECT TO CUSTODIAL CREDIT RISK | | | | |
| U.S. Treasury Notes/Bonds | 63,329 | - | 63,329 | - |
| U.S. Agency Securities (Explicitly Guaranteed) | 10,402 | - | 10,402 | - |
| U.S. Agency Securities (Not Explicitly Guaranteed) | 30,007 | - | 30,007 | - |
| Corporate Bonds | 205,352 | - | 205,352 | - |
| Municipal Bonds | 29,860 | - | 29,860 | - |
| Money Market Mutual Funds | 659 | - | 659 | 1,106,464 |
| Bond Mutual Funds | 18,950 | - | 18,950 | 3,435,749 |
| Mortgage-Backed Securities | 35,792 | - | 35,792 | - |
| Guaranteed Investment Contracts | - | - | - | 159,686 |
| Corporate Equities | 6,284 | - | 6,284 | - |
| Private Equities | 2,675 | - | 2,675 | - |
| Equity Mutual Funds | 29,717 | - | 29,717 | 4,539,453 |
| Balanced Mutual Funds | 795 | - | 795 | - |
| Other | 35,091 | - | 35,091 | 944 |
| SUBTOTAL | 468,913 | - | 468,913 | 9,242,296 |
| TOTAL | $ 3,648,972 | $ 15,667 | $ 3,664,639 | $ 9,346,644 |

## 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 must be rated at least by one and preferably two nationally recognized rating organizations. One rating must be from Moody's, Standard & Poor's, or Fitch.. 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 by the lowest known credit quality rating, which shows the Treasurer's Pool, Higher Education Institutions, Fiduciary Funds, and All Other Funds in the aggregate. The credit quality ratings shown are Moody's, Standard and Poor's, and Fitch, respectively.

CREDIT QUALITY RATINGS
(Amounts In Thousands)

| Credit Quality Rating | U.S. Govt. Securities | Commercial Paper | Corporate Bonds | Asset Backed Securities | Mortgage Backed Securities | Money Market Mutual Funds | Bond Mutual Funds | Sovereigns & Supranationals | Guranteed Investment Contracts | Other | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Treasurer's Pool: | | | | | | | | | | | |
| Long-term Ratings | | | | | | | | | | | |
| Aaa/AAA/AAA | $ - | $ - | $ 170,459 | $ 659,868 | $ - | $ 2,942,000 | $ - | $ 98,906 | $ - | $ - | $ 3,871,233 |
| Aa/AA/AA | 227,187 | 384,969 | 687,293 | - | 458,034 | - | - | 94,997 | - | 49,298 | 1,901,778 |
| A/A/A | - | - | 2,158,428 | - | - | - | - | - | - | - | 2,158,428 |
| Baa/BBB/BBB | - | - | 407,918 | - | - | - | - | - | - | - | 407,918 |
| Total T-Pool | 227,187 | 384,969 | 3,424,098 | 659,868 | 458,034 | 2,942,000 | - | 193,903 | - | 49,298 | 8,339,357 |
| Higher Education Institutions: | | | | | | | | | | | |
| Long-term Ratings | | | | | | | | | | | |
| Aaa/AAA/AAA | 35,681 | - | 61,733 | 121,273 | 1,528 | 369,068 | 18,616 | - | - | 9,376 | 617,275 |
| Aa/AA/AA | 29,639 | - | 35,532 | 14,959 | - | - | 120,305 | - | - | 27,980 | 228,415 |
| A/A/A | - | - | 174,972 | 7,786 | 31 | - | - | - | - | 1,731 | 184,520 |
| Baa/BBB/BBB | 3 | - | 207,130 | 4,184 | - | - | 409 | - | - | 791 | 212,517 |
| Ba/BB/BB | - | - | 13,194 | 121 | - | - | - | - | - | - | 13,315 |
| B/B/B | - | - | 577 | 225 | - | - | - | - | - | - | 802 |
| Caa/CCC/CCC | - | - | - | 1,428 | - | - | - | - | - | - | 1,428 |
| Ca/D/DDD | - | - | - | 245 | - | - | - | - | - | - | 245 |
| C//DD | - | - | - | 41 | - | - | - | - | - | - | 41 |
| Short-term Ratings | | | | | | | | | | | |
| P 1/MIG1/A-1/F-1 | - | 2,002 | - | - | - | - | - | - | - | - | 2,002 |
| Unrated | 49,517 | - | 4,551 | 36,080 | 1,481 | 659 | 52,017 | - | 86,446 | 19,588 | 250,339 |
| Total Higher Ed | 114,840 | 2,002 | 497,689 | 186,342 | 3,040 | 369,727 | 191,347 | - | 86,446 | 59,466 | 1,510,899 |
| Fiduciary Funds: | | | | | | | | | | | |
| Long-term Ratings | | | | | | | | | | | |
| Aaa/AAA/AAA | - | - | 343 | 468 | 6,270 | 545 | - | - | - | 570 | 8,196 |
| Aa/AA/AA | - | - | 869 | 227 | 19,407 | - | - | - | - | 1,257 | 21,760 |
| A/A/A | - | - | 5,883 | 129 | - | - | - | - | - | 276 | 6,288 |
| Baa/BBB/BBB | - | - | 3,725 | - | - | - | - | - | - | - | 3,725 |
| Unrated | - | - | - | 189 | - | 1,106,464 | 3,444,993 | - | 159,686 | - | 4,711,332 |
| Total Fiduciary | - | - | 10,820 | 1,013 | 25,677 | 1,107,009 | 3,444,993 | - | 159,686 | 2,103 | 4,751,301 |
| All Other Funds: | | | | | | | | | | | |
| Long-term Ratings | | | | | | | | | | | |
| Aaa/AAA/AAA | - | - | 14,061 | 25,721 | 549 | - | - | 11,294 | - | - | 51,625 |
| Aa/AA/AA | 71,947 | - | 69,275 | 1,690 | 228,199 | - | - | 10,075 | - | - | 381,185 |
| A/A/A | - | - | 203,763 | 1,127 | - | - | - | - | - | - | 204,890 |
| Baa/BBB/BBB | - | - | 188,035 | 2,968 | 805 | - | - | - | - | - | 191,808 |
| Ba/BB/BB | - | - | 10,545 | - | 60 | - | - | - | - | - | 10,604 |
| B/B/B | - | - | 609 | - | - | - | - | - | - | - | 609 |
| Unrated | - | - | 312 | 730 | 12,203 | - | - | - | - | - | 13,245 |
| Total Other | 71,947 | - | 486,600 | 32,236 | 241,816 | - | - | 21,369 | - | - | 853,966 |
| Total | $ 413,974 | $ 386,971 | $ 4,419,207 | $ 879,459 | $ 728,567 | $ 4,418,736 | $ 3,636,340 | $ 215,272 | $ 246,132 | $ 110,867 | $ 15,455,523 |

## 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.

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 targets a weighted average effective duration of 3 years within range of 1-5 years and a maximum stated maturity limited to 30 years from the settlement date for Treasurer's pool funds. The policy also sets maturity limits for the Unclaimed Property Tourism Promotion Trust Fund (1 - 30 years). The policy also mitigates interest rate risk through the use of maturity limits delineated to meet the needs of each funds and the use of active management to react to changes in the yield curve, economic forecasts, and the liquidity needs of the fund.

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

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

| Investment Type | Treasurer's Pool Fair Value Amount | Treasurer's Pool Weighted Average Maturity | Higher Education Institutions Fair Value Amount | Higher Education Institutions Weighted Average Maturity | Fiduciary Funds Fair Value Amount | Fiduciary Funds Weighted Average Maturity | All Other Funds Fair Value Amount | All Other Funds Weighted Average Maturity |
|---|---|---|---|---|---|---|---|---|
| U.S. Treasury Bills/Notes/Bo | $ 1,279,689 | 8.443 | $ 191,967 | 7.466 | $ 3,947 | 1.600 | $ 197,946 | 11.006 |
| U.S. Agency Securities | 227,187 | 4.280 | 257,223 | 16.088 | - | - | 71,947 | 8.277 |
| Bond Mutual Funds | - | - | 187,086 | 5.802 | 9,244 | 4.280 | - | - |
| Commercial Paper | 384,969 | 0.060 | 2,002 | 0.109 | - | - | - | - |
| Corporate Bonds | 3,424,098 | 5.835 | 496,206 | 7.070 | 10,820 | 2.898 | 486,599 | 7.929 |
| Repurchase Agreements | - | - | 13,391 | 0.041 | - | - | - | - |
| Certificates of Deposit | - | - | 527 | 0.181 | - | - | - | - |
| Asset-Backed Securities | 659,868 | 2.183 | 186,341 | 15.856 | 1,013 | 0.080 | 32,235 | 5.088 |
| Money Market Funds | 2,942,000 | - | 61,900 | 0.109 | 1,107,009 | 0.136 | - | - |
| Municipal Bonds | 49,298 | 15.210 | 45,532 | 10.563 | 2,103 | 0.480 | - | - |
| Mortgage-Backed Securities | 458,581 | 6.782 | 3,040 | 0.480 | 25,677 | 4.264 | 229,264 | 5.614 |
| Other | 193,903 | 2.734 | 86,446 | 2.018 | - | - | 21,368 | 4.077 |
| Total Investments | $ 9,619,593 | | $ 1,531,661 | | $ 1,159,813 | | $ 1,039,359 | |

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

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 for $339.4 million with a duration of 8.2 years and a short-term inflation protected securities index fund for $82.0 million with a duration of 2.6 years. These securities are excluded from the duration table below because interest rate risk is effectively mitigated by the inflation protection attribute of the funds.

(Dollar Amounts in Thousands, Duration in Years)

| | Fair Value Amount | Duration |
|---|---|---|
| Enterprise Funds: | | |
| Higher Education Institutions: | | |
| Colorado School of Mines: | | |
| Bond Mutual Funds | $ 1,481 | 6.800 |
| Private Purpose Trust Funds: | | |
| CollegeInvest: | | |
| Bond Mutual Fund-1 | $ 1,030,559 | 6.400 |
| Bond Mutual Fund-2 | 635,513 | 7.020 |
| Bond Mutual Fund-3 | 537,918 | 2.000 |
| Bond Mutual Fund-4 | 476,391 | 8.400 |
| Bond Mutual Fund-5 | 89,079 | 6.500 |
| Bond Mutual Fund-6 | 244,901 | 8.400 |

**Foreign Currency Risk**

Foreign Currency risk is the risk that changes in exchange rates will adversely affect their value of an investment or deposit. The Treasurer's formal investment policy does not allow for investments in foreign currency. Risk is mitigated by only permitting a maximum of 4% of treasury pool assets to be invested in sovereign/government/supranational securities.

**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 the Unclaimed Property Tourism Promotion Trust Fund. The pool and the Unclaimed Property Tourism Promotion Trust Fund may be 100 percent invested in U.S. Treasury securities with more restrictive limits (ranging from 5 percent to 80 percent) set for the other allowed investment types. For the pool and the Unclaimed Property Tourism Promotion Trust Fund, the policy sets maximum concentrations in an individual issuer for certain investment types.

**Fair Value Measurements**

To the extent available, the State's investments are recorded at fair value as of June 30, 2020. Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 Investments – values are based on quoted prices (unadjusted) for identical assets (or liabilities) in active markets that a government can access at the measurement date.

Level 2 Investments with inputs – quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other-than-quoted prices that are not observable. Example: Ownership of a corporate bond that trades on an exchange that is not active.

Level 3 Investments – classified as Level 3 have unobservable inputs for an asset (or liability) and may require a degree of professional judgment.

The following table summarizes the State's investments within the fair value hierarchy at June 30, 2020:

| | | (Amounts in Thousands) | | |
|---|---|---|---|---|
| | | Fair Value Measurements Using | | |
| | Fair Value as of June 30, 2020 | Quoted prices in active markets for identical assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments by Fair Value Level | | | | |
| U.S. Treasury Bills | $ 601,707 | $ 597,241 | $ 4,466 | $ - |
| U.S. Treasury Notes/Bonds | 1,082,062 | 985,889 | 96,173 | - |
| U.S. Agency Securities (Explicitly Guaranteed) | 10,428 | 26 | 10,402 | - |
| U.S. Agency Securities (Not Explicitly Guaranteed) | 414,164 | 35,922 | 378,242 | - |
| Commercial Paper | 386,971 | - | 386,971 | - |
| Corporate Bonds | 4,423,462 | 5,749 | 4,417,713 | - |
| Municipal Bonds | 96,933 | 110 | 96,823 | - |
| Money Market Mutual Funds | 4,113,483 | 4,113,483 | - | - |
| Bond Mutual Funds | 3,649,525 | 3,649,508 | 17 | - |
| Asset-Backed Securities | 879,457 | 698 | 877,188 | 1,571 |
| Mortgage-Backed Securities | 861,246 | 2,142 | 846,901 | 12,203 |
| Sovereigns/Supranationals | 215,271 | - | 215,271 | - |
| Guaranteed Investment Contracts | 172,937 | 13,251 | - | 159,686 |
| Investment in Foundation Pool | 473,416 | - | - | 473,416 |
| Corporate Equities | 9,053 | 9,053 | - | - |
| Private Equities | 4,340 | - | - | 4,340 |
| Equity Mutual Funds | 5,946,002 | 5,946,002 | - | - |
| Balanced Mutual Funds | 795 | 795 | - | - |
| Other | 1,546,871 | 5,891 | 17,958 | 1,523,022 |
| Total | $ 24,888,123 | $ 15,365,760 | $ 7,348,125 | $ 2,174,238 |
| | | | | |
| Total investments measured at NAV | 157,064 | | | |
| Total other investments not valued at fair value | 361,064 | | | |
| Total | $ 25,406,251 | | | |

On June 30, 2020, the University of Colorado held an investment in an equity trust valued at $157.1 million. The value was determined using the University's Net Asset Value (NAV) per share in the equity trust. The assets held by the trust could be sold at an amount different than the NAV per share due to the liquidation policies in the trust's investor agreements. Redemption frequencies for these funds range from one to 30 days and there were no unfunded commitments as of June 30, 2020.

The University of Colorado also held investments in a repurchase agreement with a contract value of $13.4 million, guaranteed investment agreements with a contract value of $73.2 million, and private equities measured at a cost of $2.7 million. It is the State's policy to report money market fund investments at fair market value unless the institution managing the investment reports its value at amortized cost. At June 30, 2020, the University of Colorado held $271.8 million of money market funds valued at amortized cost.

**Treasurer's Investment Pool**

Participation in the State Treasurer's cash/investment pool is mandatory for all State agencies with the exception of Colorado Mesa University, Colorado State University System, Colorado School of Mines, Fort Lewis State College, and the University of Colorado and its blended component units; however, all participate in the Treasurer's Pool. The Treasurer, in consultation with the State's investment custodian, 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 5 – CAPITAL ASSETS

During Fiscal Year 2020, the State capitalized $26.7 million of interest incurred during the construction of capital assets. The majority of this capitalized interest was for the Department of Transportation's Bridge Enterprise of $12.2 million, the High Performance Transportation Enterprise of $8.6 million, and Institutions of Higher Education of $5.9 million.

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

| (Amounts in Thousands) | Depreciation Amount |
|---|---|
| GOVERNMENTAL ACTIVITIES | |
| General Government | $ 59,368 |
| Business, Community and Consumer Affairs | 4,099 |
| Education | 36,699 |
| Health and Rehabilitation | 13,414 |
| Justice | 54,455 |
| Natural Resources | 672 |
| Social Assistance | 19,834 |
| Transportation | 330,616 |
| Total Depreciation Expense - Governmental Activities | 519,157 |
| BUSINESS-TYPE ACTIVITIES | |
| Higher Education | 470,869 |
| Parks and Wildlife | 13,721 |
| State Nursing Homes | 1,941 |
| Unemployment Insurance | 2,400 |
| Transportation | 19,320 |
| Social Assistance | 2,807 |
| Other Enterprise Funds | 2,235 |
| Total Depreciation Expense - Business-Type Activities | 513,293 |
| Total Depreciation Expense Primary Government | $ 1,032,450 |

The schedule on the following page shows the capital asset activity during Fiscal Year 2020. The schedule shows that $228.4 million of construction in progress projects were completed and added to capital assets for Governmental activities, and $364.4 million of construction in progress were completed and added to capital assets for Business Type activities. These amounts are net of additions.

| (Amounts in Thousands) | Beginning Balance | Increases | CIP Transfers | Decreases/ Adjustments | Ending Balance |
|---|---|---|---|---|---|
| GOVERNMENTAL ACTIVITIES: | | | | | |
| Capital Assets Not Being Depreciated: | | | | | |
| Land | 117,985 | $ 951 | $ - | $ 286 | $ 119,222 |
| Land Improvements | 7,752 | 296 | - | (296) | 7,752 |
| Collections | 11,213 | - | - | - | 11,213 |
| Other Capital Assets | 2,136 | 300 | 9,911 | - | 12,347 |
| Construction in Progress (CIP) | 957,814 | 867,746 | (253,881) | (22,862) | 1,548,817 |
| Infrastructure | 1,024,706 | 63 | 15,570 | - | 1,040,339 |
| Total Capital Assets Not Being Depreciated | 2,121,606 | 869,356 | (228,400) | (22,872) | 2,739,690 |
| Capital Assets Being Depreciated: | | | | | |
| Leasehold and Land Improvements | 68,781 | 7,751 | 5,364 | (35) | 81,861 |
| Buildings | 3,363,608 | 11,305 | 30,804 | (6,303) | 3,399,414 |
| Software | 541,439 | 2,595 | 15,141 | 19,750 | 578,925 |
| Vehicles and Equipment | 980,135 | 77,935 | 4,461 | (32,726) | 1,029,805 |
| Library Materials and Collections | 5,607 | 333 | - | (458) | 5,482 |
| Other Capital Assets | 37,208 | 7 | - | (59) | 37,156 |
| Infrastructure | 12,407,645 | 44 | 172,630 | (77,622) | 12,502,697 |
| Total Capital Assets Being Depreciated | 17,404,423 | 99,970 | 228,400 | (97,453) | 17,635,340 |
| Less Accumulated Depreciation: | | | | | |
| Leasehold and Land Improvements | (39,198) | (4,410) | - | 35 | (43,573) |
| Buildings | (1,200,950) | (82,291) | - | 10,503 | (1,272,738) |
| Software | (312,745) | (61,354) | - | 2,940 | (371,159) |
| Vehicles and Equipment | (602,110) | (68,059) | - | 30,647 | (639,522) |
| Library Materials and Collections | (4,063) | (379) | - | 458 | (3,984) |
| Other Capital Assets | (36,645) | (48) | - | 58 | (36,635) |
| Infrastructure | (5,107,395) | (303,913) | - | 153 | (5,411,155) |
| Total Accumulated Depreciation | (7,303,106) | (520,454) | - | 44,794 | (7,778,766) |
| Total Capital Assets Being Depreciated, net | 10,101,317 | (420,484) | 228,400 | (52,659) | 9,856,574 |
| TOTAL GOVERNMENTAL ACTIVITIES | 12,222,923 | 448,872 | - | (75,531) | 12,596,264 |
| BUSINESS-TYPE ACTIVITIES: | | | | | |
| Capital Assets Not Being Depreciated: | | | | | |
| Land | 630,724 | 34,140 | 1,952 | (10,026) | 656,790 |
| Land Improvements | 16,861 | 180 | - | - | 17,041 |
| Collections | 32,180 | 968 | - | - | 33,148 |
| Construction in Progress (CIP) | 1,162,309 | 733,398 | (368,936) | 2,494 | 1,529,265 |
| Other Capital Assets | 15,461 | - | - | - | 15,461 |
| Infrastructure | 95,441 | - | 2,601 | - | 98,042 |
| Total Capital Assets Not Being Depreciated | 1,952,976 | 768,686 | (364,383) | (7,532) | 2,349,747 |
| Capital Assets Being Depreciated: | | | | | |
| Leasehold and Land Improvements | 846,783 | 3,297 | 41,926 | (1,025) | 890,981 |
| Buildings | 10,239,297 | 85,960 | 249,185 | (45,438) | 10,529,004 |
| Software | 220,640 | 4,245 | 2,554 | 13,062 | 240,501 |
| Vehicles and Equipment | 1,270,225 | 95,784 | 5,334 | (39,596) | 1,331,747 |
| Library Materials and Collections | 608,617 | 22,136 | - | (1,653) | 629,100 |
| Other Capital Assets | 3,770 | 104 | - | - | 3,874 |
| Infrastructure | 1,165,641 | 77,470 | 65,384 | - | 1,308,495 |
| Total Capital Assets Being Depreciated | 14,354,973 | 288,996 | 364,383 | (74,650) | 14,933,702 |
| Less Accumulated Depreciation: | | | | | |
| Leasehold and Land Improvements | (455,993) | (36,507) | - | 958 | (491,542) |
| Buildings | (3,843,863) | (328,530) | - | 22,881 | (4,149,512) |
| Software | (193,599) | (15,079) | - | 4,768 | (203,910) |
| Vehicles and Equipment | (936,022) | (91,283) | - | 36,781 | (990,524) |
| Library Materials and Collections | (474,373) | (23,232) | - | 1,642 | (495,963) |
| Other Capital Assets | (1,906) | (121) | - | - | (2,027) |
| Infrastructure | (107,660) | (20,695) | - | - | (128,355) |
| Total Accumulated Depreciation | (6,013,416) | (515,447) | - | 67,030 | (6,461,833) |
| Total Capital Assets Being Depreciated, net | 8,341,557 | (226,451) | 364,383 | (7,620) | 8,471,869 |
| TOTAL BUSINESS-TYPE ACTIVITIES | 10,294,533 | 542,235 | - | (15,152) | 10,821,616 |
| TOTAL CAPITAL ASSETS, NET | $ 22,517,456 | $ 991,107 | $ - | $ (90,683) | $ 23,417,880 |

## NOTE 6 – DEFINED BENEFIT PENSIONS

**Summary of Significant Accounting Policies**
The State of Colorado is a participating employer in the State Division Trust Fund ("SDTF") and the Judicial Division Trust Fund ("JDTF"), both cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees' Retirement Association of Colorado ("PERA"). The State of Colorado is also a governmental nonemployer contributing entity in the SDTF, JDTF, School, and Denver Public Schools Division Trust Fund ("DPS") Divisions. The net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense, aid to other governments, information about the fiduciary net position, and additions to/deductions from the fiduciary net position of the SDTF, JDTF, School, and DPS Divisions have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Senate Bill (SB)18-200 entitled *Modifications To PERA Public Employees' Retirement Association To Eliminate Unfunded Liability* requires a direct distribution from the State Treasury to PERA for $225 million annually to reduce unfunded PERA liabilities. The direct distributions are to occur until no unfunded actuarial accrued liabilities exist for any PERA Division Trust. PERA allocates the direct distribution to four PERA Division Trusts in proportion with payroll-based contributions. The direct distribution for fiscal year 2020 is shown below.

(In Actual Dollars)

| PERA Division Trust | Additional Employer Contributions | Non-employer Contributions | Total Direct Distribution |
|---|---|---|---|
| State | $ 73,608,735 | $ 3,479,747 | $ 77,088,482 |
| Judicial | 1,266,324 | 76,777 | 1,343,101 |
| School | - | 127,367,213 | 127,367,213 |
| Denver Public Schools | - | 19,201,204 | 19,201,204 |
| | $ 74,875,059 | $150,124,941 | $225,000,000 |

**General Information about the Pension Plan**
Eligible employees of the State of Colorado receive a pension benefit through the SDTF and the JDTF, both cost-sharing multiple-employer defined benefit pension plans administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. The Colorado General Assembly may amend Title 24, Article 51 of the C.R.S. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

PERA provides retirement, disability, and survivor benefits. Retirement benefits determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

The lifetime retirement benefit for all eligible retiring employees under the DPS benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- $15 times the first 10 years of service credit plus $20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases, the service retirement benefit is limited to 100 percent of highest average salary and cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2019, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lesser of an annual increase of 1.25 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF and for the JDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. For the SDTF, State Troopers whose disability is caused by an on-the-job injury are immediately eligible to apply for disability benefits and do not have to meet the five years of service credit requirement. For the JDTF, the five year requirement is not applicable to active judges. The disability benefit amount is based on the lifetime retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

**Contributions**
Eligible employees and the State are required to contribute to the SDTF at rates established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Employee and employer contribution rates for the period July 1, 2019 through June 30, 2020 are presented in the following tables:

| State Division Trust Fund | July 1, 2019 Through June 30, 2020 |
|---|---|
| Employee contribution (all employees except State Troopers) | 8.75% |
| State Troopers Only | 10.75% |

Employee contribution rates for the SDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

The employer contribution requirements for all employees except State Troopers are summarized in the table below:

| State Division Trust Fund | July 1, 2019 Through June 30, 2020 |
|---|---|
| Employer contribution rate | 10.40% |
| Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) | (1.02)% |
| Amount apportioned to the SDTF | 9.38% |
| Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 | 5.00% |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 | 5.00% |
| **Total employer contribution rate to the SDTF** | **19.38%** |

Contribution rates for the SDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

The employer contribution requirements for State Troopers are summarized in the table below:

| State Division Trust Fund | July 1, 2019 Through June 30, 2020 |
|---|---|
| Employer contribution rate | 13.10% |
| Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) | (1.02)% |
| Amount apportioned to the SDTF | 12.08% |
| Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 | 5.00% |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 | 5.00% |
| **Total employer contribution rate to the SDTF** | **22.08%** |

Contribution rates for the SDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Eligible employees and the State are required to contribute to the JDTF at rates established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Employee and employer contribution rates for the period July 1, 2019 through June 30, 2020 are presented in the following tables:

| Judicial Division Trust Fund | July 1, 2019 Through June 30, 2020 |
|---|---|
| Employee contribution | 8.75% |

Contribution rates for the JDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

| Judicial Division Trust Fund | July 1, 2019 Through December 31, 2019 | January 1, 2020 Through June 30, 2020 |
|---|---|---|
| Employer contribution rate | 13.91% | 13.91% |
| Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) | (1.02)% | (1.02)% |
| Amount apportioned to the JDTF | 12.89% | 12.89% |
| Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 | 3.40% | 3.8% |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 | 3.40% | 3.8% |
| **Total employer contribution rate to the JDTF** | **19.69%** | **20.49%** |

Contribution rates for the JDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

As specified in C.R.S. § 24-51-414, the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SDTF is considered a nonemployer contribution for financial reporting purposes.

Subsequent to the SDTF's December 31, 2019, measurement date, HB 20-1379 Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, $225 million direct distribution allocated to the State, School, Judicial, and DPS Divisions, as required under Senate Bill 18-200.

Employer contributions are recognized by the SDTF and by the JDTF in the period in which the compensation becomes payable to the member and the State is statutorily committed to pay the contributions to the SDTF and to the JDTF. Employer contributions made by the State to the SDTF and to the JDTF were $673.8 million and $11.6 million, respectively, for the year ended June 30, 2020.

**Net Pension Liability**

The net pension liability for the SDTF and for the JDTF were measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total pension liability to December 31, 2019. The State's proportion of the net pension liability of the SDTF and of the JDTF is based on the State's contributions to the SDTF and to the JDTF for calendar year 2019 relative to the total contributions of all participating employers and the nonemployer contributions made by the State to the SDTF and to the JDTF.

At June 30, 2020, the State reported a total liability of $11.3 billion for its proportionate share of the net pension liability. The amounts recognized by the State for its proportionate share of the net pension liability are as follows:

| (Amounts in thousands) | PERA Division Trust Fund | | | | |
|---|---|---|---|---|---|
| Proportionate share of the net pension liability attributable to: | State | Judicial | School | DPS | Total |
| State's own employees | $ 9,265,778 | $ 85,727 | - | - | $ 9,351,505 |
| Employees of other governments | 49,203 | 582 | 1,681,628 | 202,321 | 1,933,734 |
| Total | $ 9,314,981 | $ 86,309 | $ 1,681,628 | $ 202,321 | $ 11,285,239 |

**Proportionate Share**

The State's proportions at December 31, 2018, December 31, 2019, and how the proportions increased or decreased are presented in the following table:

| As a Participating Employer | | | |
|---|---|---|---|
| | Proportionate Share | | |
| PERA Division | 12/31/2018 | 12/31/2019 | Increase |
| State | 95.40% | 95.49% | 0.08% |
| Judicial | 94.06% | 94.28% | 0.22% |

| As a Governmental Nonemployer Contributing Entity | | | |
|---|---|---|---|
| | Proportionate Share | | |
| PERA Division | 12/31/2018 | 12/31/2019 | Decrease |
| State | 0.55% | 0.51% | -0.04% |
| Judicial | 0.85% | 0.64% | -0.21% |
| School | 12.03% | 11.26% | -0.77% |
| DPS | 34.13% | 30.71% | -3.42% |

**Pension Expense & Aid to Other Governments**

For the year ended June 30, 2020, the State recognized pension expense for its own employees and expense to aid other governments related to support provided by the State as a governmental nonemployer contributing entity. The components of expense are presented in the following table:

| | PERA Division Trust Fund | | | | |
|---|---|---|---|---|---|
| (Amounts in thousands) | State | Judicial | School | DPS | Total |
| Pension expense | $(1,810,827) | $ (6,904) | - | - | $ (1,817,731) |
| Aid to other governments | 20,123 | 211 | 722,841 | 79,128 | 822,303 |
| Total | $(1,790,704) | $ (6,693) | $ 722,841 | $ 79,128 | $ (995,428) |

**Deferred Outflows of Resources and Deferred Inflows of Resources**

The State participates in the SDTF and the JDTF as both an employer and as a governmental nonemployer contributing entity. The following tables therefore segregate deferred outflows of resources and deferred inflows of resources between balances related to the State's own employees and balances related to employees of other governments. At June 30, 2020, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

**State Division Trust Fund**

| (Amounts in thousands) | Deferred Outflows of Resources Related to | | Deferred Inflows of Resources Related to | |
|---|---|---|---|---|
| | State's Own Employees | Employees of Other Governments | State's Own Employees | Employees of Other Governments |
| Difference between expected and actual experience | $ 346,189 | $ 1,838 | $ - | $ - |
| Changes of assumptions or other inputs | - | - | 2,657,625 | 14,112 |
| Net difference between projected and actual earnings on pension plan investments | - | - | 998,278 | 5,301 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 164,687 | 28,855 | 157,803 | 4,065 |
| Contributions subsequent to the measurement date | 300,777 | - | - | - |
| Total | $ 811,653 | $ 30,693 | $ 3,813,706 | $ 23,478 |

Deferred outflows of resources of $300.8 million related to pensions resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | (Amounts in thousands) |
|---|---|
| 2021 | (2,708,120) |
| 2022 | (206,588) |
| 2023 | (39,390) |
| 2024 | (341,518) |
| 2025 | - |
| Thereafter | - |

**Judicial Division Trust Fund**

| (Amounts in thousands) | Deferred Outflows of Resources Related to State's Own Employees | Deferred Outflows of Resources Related to Employees of Other Governments | Deferred Inflows of Resources Related to State's Own Employees | Deferred Inflows of Resources Related to Employees of Other Governments |
|---|---|---|---|---|
| Difference between expected and actual experience | $ 12,368 | $ 84 | $ - | $ - |
| Changes of assumptions or other inputs | 5,359 | 36 | 61,799 | 420 |
| Net difference between projected and actual earnings on pension plan investments | - | - | 21,787 | 148 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 492 | 1,014 | 338 | 297 |
| Contributions subsequent to the measurement date | 5,322 | - | - | - |
| Total | $ 23,541 | $ 1,134 | $ 83,924 | $ 865 |

Deferred outflows of resources of $5.3 million related to pensions resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | (Amounts in thousands) |
|---|---|
| 2021 | (15,605) |
| 2022 | (24,092) |
| 2023 | (18,582) |
| 2024 | (7,158) |
| 2025 | - |
| Thereafter | - |

**School & Denver Public Schools Division Trust Funds**

The State participates in the School Division Trust Fund and the Denver Public Schools (DPS) Division Trust Fund as a governmental nonemployer contributing entity. Therefore, the deferred outflows of resources and deferred inflows of resources associated with the School and DPS Divisions relate only to employees of other governments.

| (Amounts in thousands) | Deferred Outflows of Resources School Division | Deferred Outflows of Resources DPS Division | Deferred Inflows of Resources School Division | Deferred Inflows of Resources DPS Division |
|---|---|---|---|---|
| Difference between expected and actual experience | $ 91,650 | $ 31,274 | $ - | $ 119 |
| Changes of assumptions or other inputs | 48,008 | 8,593 | 762,770 | 70 |
| Net difference between projected and actual earnings on pension plan investments | - | - | 199,206 | 73,845 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 1,326,427 | 183,762 | 131,337 | 20,619 |
| Total | $ 1,466,085 | $ 223,629 | $ 1,093,313 | $ 94,653 |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as expense to aid other governments as follows:

| Year ended June 30: | (Amounts in thousands) |
|---|---|
| 2021 | 393,313 |
| 2022 | 179,459 |
| 2023 | 21,801 |
| 2024 | (92,825) |
| 2025 | - |
| Thereafter | - |

**Actuarial Assumptions**

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

| | State Division Trust Fund | Judicial Division Trust Fund | School Division Trust Fund | DPS Division Trust Fund |
|---|---|---|---|---|
| Actuarial cost method | Entry age | Entry age | Entry age | Entry age |
| Price inflation | 2.40 percent | 2.40 percent | 2.40 percent | 2.40 percent |
| Real wage growth | 1.10 percent | 1.10 percent | 1.10 percent | 1.10 percent |
| Wage inflation | 3.50 precent | 3.50 precent | 3.50 precent | 3.50 precent |
| Salary increases, including wage inflation | 3.50 - 9.17 percent | 4.00 - 5.00 percent | 3.50 - 9.70 percent | 3.50 - 9.70 percent |
| Long-term investment rate of return, net of pension plan investment expenses, including price inflation | 7.25 percent | 7.25 percent | 7.25 percent | 7.25 percent |
| Discount rate | 7.25 percent | 7.25 percent | 7.25 percent | 7.25 percent |
| Post-retirement benefit increases: | | | | |
| PERA benefit structure hired prior to 1/1/07 | 1.25 percent | 1.25 percent | 1.25 percent | 1.25 percent |
| PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic) | Financed by the Annual Increase Reserve | Financed by the Annual Increase Reserve | Financed by the Annual Increase Reserve | Financed by the Annual Increase Reserve |

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Post-retirement non-disabled mortality assumptions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor for the SDTF and a 93 percent factor for JDTF, School, and DPS Divisions applied to rates for ages less than 80, a 108 percent factor for the SDTF and a 113 percent factor for the JDTF, School, and DPS Divisions applied to rates for ages 80 and above, and further adjustments for credibility.

- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor for the SDTF and a 68 percent factor for the JDTF, School, and DPS Divisions applied to rates for ages less than 80, a 109 percent factor for the SDTF and a 106 percent factor for the JDTF, School, and DPS Divisions applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the SDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | 30 Year Expected Geometric Real Rate of Return |
|---|---|---|
| U.S. Equity – Large Cap | 21.20% | 4.30% |
| U.S. Equity – Small Cap | 7.42% | 4.80% |
| Non U.S. Equity – Developed | 18.55% | 5.20% |
| Non U.S. Equity – Emerging | 5.83% | 5.40% |
| Core Fixed Income | 19.32% | 1.20% |
| High Yield | 1.38% | 4.30% |
| Non U.S. Fixed Income – Developed | 1.84% | 0.60% |
| Emerging Market Debt | 0.46% | 3.90% |
| Core Real Estate | 8.50% | 4.90% |
| Opportunity Fund | 6.00% | 3.80% |
| Private Equity | 8.50% | 6.60% |
| Cash | 1.00% | 0.20% |
| **Total** | **100.00%** | |

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25 percent.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including scheduled increases in SB 18-200 and the additional 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- As specified in law, the State provides an annual direct distribution of $225 million, which commenced July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- The projected benefit payments reflect the lowered AI cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.

- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the fiduciary net position of the SDTF, JDTF, and the School Division were projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

**Sensitivity of the net pension liability to changes in the discount rate**
The following table presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

| (Amount in thousands) | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|---|---|---|
| | | Liability | |
| State Division Trust Fund | $ 11,983,436 | $ 9,314,981 | $ 7,056,810 |
| Judicial Division Trust Fund | 130,240 | 86,309 | 48,430 |
| School Division Trust Fund | 2,230,199 | 1,681,628 | 1,221,055 |
| DPS Division Trust Fund | 358,890 | 202,321 | 72,084 |

*Pension plan fiduciary net position.* Detailed information about the SDTF's fiduciary net position is available in PERA's CAFR which can be obtained at:
www.copera.org/investments/pera-financial-reports.

**Payables to the PERA Defined Benefit Pension Plan**
A short-term payable of approximately $2.9 million existed at June 30, 2020 for employer and employee contributions due to PERA. C.R.S. 24-51-401 requires employer, employee, and retiree contributions be remitted to PERA within five days after the date the members and retirees are paid. PERA Rule 4.10-A specifies that employers are responsible for payment of interest computed on a daily rate for contributions not remitted timely.

## NOTE 7 – OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS

### Summary of OPEB Plans

The State of Colorado participates in the following OPEB plans:

- PERA Health Care Trust Fund (HCTF) OPEB
- University of Colorado Healthcare and Life Insurance Subsidy
- Colorado State University OPEB
    - Retiree Medical Premium Refund Plan for DCP Participants
    - Retiree Medical Premium Subsidy for PERA Participants
    - Retiree Umbrella Rx Plan for PERA Participants
    - Long-Term Disability Plan

Disclosures provided in this note are applicable to the PERA Health Care Trust Fund (HCTF) OPEB and to the University of Colorado OPEB.

### PERA Health Care Trust Fund OPEB

**Summary of Significant Accounting Policies**

The State of Colorado participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

**General Information about the OPEB Plan**

Eligible employees of the State are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a Comprehensive Annual Financial Report available at: www.copera.org/investments/pera-financial-reports.

**Benefits Provided**

The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

**PERA Benefit Structure**
The maximum service-based premium subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $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 basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

**DPS Benefit Structure**
The maximum service-based premium subsidy is $230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum $230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

**Contributions**
Pursuant to Title 24, Article 51, Section 208(1) (f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the State is statutorily committed to pay the contributions. Contributions made by the State and allocated to the HCTF for purposes of financial reporting were $31.7 million for the year ended June 30, 2020.

**OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB**

At June 30, 2020 the State reported a liability of $368.1 million for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The State's proportion of the net OPEB liability is based on contributions to the HCTF from the State for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the State's proportion was 32.75 percent, which was a decrease of 0.65 percent from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the State recognized OPEB expense of $21.0 million. At June 30, 2020, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| (Amounts in thousands) | Deferred Outflows of Resources | Deferred Inflows of |
|---|---|---|
| Difference between expected and actual experience | $ 1,222 | $ 61,854 |
| Changes of assumptions or other inputs | 3,054 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 6,144 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 8,052 | 17,509 |
| Contributions subsequent to the measurement date | 15,836 | - |
| Total | $ 28,164 | $ 85,507 |

$15.8 million reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ending June 30: | (Amounts in thousands) |
|---|---|
| 2021 | $ (15,106) |
| 2022 | (15,106) |
| 2023 | (13,327) |
| 2024 | (15,517) |
| 2025 | (13,327) |
| Thereafter | (796) |

**Actuarial Assumptions**

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

| | |
|---|---|
| Actuarial cost method | Entry age |
| Price inflation | 2.40 percent |
| Real wage growth | 1.10 percent |
| Wage inflation | 3.50 percent |
| Salary increases, including wage inflation | 3.50 percent in aggregate |
| Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation | 7.25 percent |
| Discount rate | 7.25 percent |
| Health care cost trend rates | |
| PERA benefit structure: | |
| Service-based premium subsidy | 0.00 percent |
| PERACare Medicare plans | 5.60 percent in 2019, gradually decreasing to 4.50 percent in 2029 |
| Medicare Part A premiums | 3.50 percent in 2019, gradually increasing to 4.50 percent in 2029 |
| DPS benefit structure: | |
| Service-based premium subsidy | 0.00 percent |
| PERACare Medicare plans | N/A |
| Medicare Part A premiums | N/A |

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2019 for the PERA Benefit Structure:

| Medicare Plan | Cost for Members Without Medicare Part A | Premiums for Members Without Medicare Part A |
|---|---|---|
| Medicare Advantage/Self-Insured Prescription | $601 | $240 |
| Kaiser Permanente Medicare Advantage HMO | 605 | 237 |

The 2019 Medicare Part A premium is $437 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

| Medicare Plan | Cost for Members Without Medicare Part A |
|---|---|
| Medicare Advantage/Self-Insured Prescription | $562 |
| Kaiser Permanente Medicare Advantage HMO | 571 |

All costs are subject to the health care cost trend rates, as discussed below.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2018, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

| Year | PERACare Medicare Plans | Medicare Part A Premiums |
|---|---|---|
| | | |
| 2019 | 5.60% | 3.50% |
| 2020 | 8.60% | 3.50% |
| 2021 | 7.30% | 3.50% |
| 2022 | 6.00% | 3.75% |
| 2023 | 5.70% | 3.75% |
| 2024 | 5.50% | 3.75% |
| 2025 | 5.30% | 4.00% |
| 2026 | 5.10% | 4.00% |
| 2027 | 4.90% | 4.25% |
| 2028 | 4.70% | 4.25% |
| 2029+ | 4.50% | 4.50% |

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

Post-retirement non-disabled mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.

- The morbidity assumptions were updated to reflect the assumed standard aging factors.

- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | 30 Year Expected Geometric Real Rate of Return |
|---|---|---|
| U.S. Equity – Large Cap | 21.20% | 4.30% |
| U.S. Equity – Small Cap | 7.42% | 4.80% |
| Non U.S. Equity – Developed | 18.55% | 5.20% |
| Non U.S. Equity – Emerging | 5.83% | 5.40% |
| Core Fixed Income | 19.32% | 1.20% |
| High Yield | 1.38% | 4.30% |
| Non U.S. Fixed Income – Developed | 1.84% | 0.60% |
| Emerging Market Debt | 0.46% | 3.90% |
| Core Real Estate | 8.50% | 4.90% |
| Opportunity Fund | 6.00% | 3.80% |
| Private Equity | 8.50% | 6.60% |
| Cash | 1.00% | 0.20% |
| **Total** | **100.00%** | |

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25 percent.

**Sensitivity to Changes in Health Care Cost Trend Rates**

The following table presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

| (Amounts in thousands) | 1% Decrease in Trend Rates | Current Trend Rates | 1% Increase in Trend |
|---|---|---|---|
| Initial PERACare Medicare trend rate | 4.60% | 5.60% | 6.60% |
| Ultimate PERACare Medicare trend rate | 3.50% | 4.50% | 5.50% |
| Initial Medicare Part A | 2.50% | 3.50% | 4.50% |
| Ultimate Medicare Part A | 3.50% | 4.50% | 5.50% |
| Net OPEB Liability | $359,354 | $368,098 | $378,202 |

*Discount rate.* The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2019, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

**Sensitivity to Changes in the Discount Rate**

The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

| (Amount in thousands) | 1% Decrease (6.25%) | Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|---|---|---|
| Proportionate Share of the Net OPEB Liability | $ 416,208 | $ 368,098 | $ 326,953 |

*OPEB plan fiduciary net position.* Detailed information about the HCTF's fiduciary net position is available in PERA's CAFR which can be obtained at www.copera.org/investments/pera-financial-reports.

**Payables to the PERA Health Care Trust OPEB Plan**

A short-term payable of $304.2 thousand existed at June 30, 2020 for employer and employee contributions due to PERA. C.R.S. 24-51-401(1.7)(a)(I) requires employer, employee, and retiree contributions be remitted to PERA within five days after the date the members and retirees are paid. PERA Rule 4.10-A specifies that employers are responsible for payment of interest computed on a daily rate for contributions not remitted timely.

**University of Colorado Healthcare and Life Insurance Subsidy (University OPEB)**

**Plan description.** University OPEB provides OPEB for University employees who participate in either the University of Colorado Optional Retirement Plan (ORP) or the University of Colorado PERA Retirement Plans (PERA). University OPEB is a single-employer, defined benefit, OPEB plan administered by the University, and established by the Regents (Regent Policy 11.F Benefits) who have the authority to amend plan provisions. No assets are accumulated in a trust that meets the criteria established in GAAP, as the University funds University OPEB on a pay-as-you-go basis. No stand-alone financial report is issued, and University OPEB is not included in the report of a public employee retirement system.

**Benefits.** The University subsidizes a portion of healthcare and life insurance premiums for retirees on a pay-as-you-go basis. All employees in a benefit-eligible position at 50 percent or greater appointment immediately preceding retirement are eligible to participate based on age and years of service. Spouses/partners, surviving spouses/partners, and dependents are eligible for benefits. The University specifies the maximum amount that it will contribute towards retiree healthcare benefits at the beginning of each coverage period. The retiree is required to make up the difference between the total cost and the amount contributed by the University. Benefits are not dependent on salary. For non-Medicare retirees, the subsidy for medical plans ranges from $562 per month to $1,567 per month depending on the number of individuals covered. For Medicare retirees, the subsidy ranges from $406 per month to $1,030 per month depending on the number of individuals covered. For dental plans, the subsidy ranges from $0 per month to $58 per month. The amount of life insurance offered is the lesser of 25 percent of the employee's pre-retirement benefit or $3,000. It is assumed for purposes of this report that everyone is eligible for the maximum life insurance benefit of $3,000.

For ORP retirees, normal retirement benefits are available at age 55 with 20 years of service. Early retirement benefits begin at age 55 with 15 years of service. For PERA retirees, normal retirement benefits begin at 20 years of service and the individual must meet requirements as defined by PERA. The individual must retire with PERA concurrent with or prior to retirement from the University. Early retirement is available with fewer than 20 years of service. Healthcare benefits for PERA retirees cease at age 65. Following the death of an active employee, the surviving spouse receives 100 percent of the University contribution for a period of two years. After two years, the surviving spouse receives the portion of the University contribution that the employee earned immediately prior to death.

The percentage of the University contribution the retiree receives is based on the retiree's years of service at retirement divided by the required number of years of service. Enrollment in University OPEB is voluntary. University and participant payments for healthcare benefits are paid to the University of Colorado Health and Welfare Trust which is responsible for administration of healthcare benefits. The University contributed $16.1 million for the fiscal year ended June 30, 2020.

**Employees Covered by Benefit Terms.** The actuarial valuation was based on census data as of March 1, 2019. The following table presents a summary of the employees covered by the benefit terms used in the valuation.

Employees Covered by University OPEB's Benefit Terms

| | Healthcare | | Life Insurance | |
|---|---|---|---|---|
| | ORP | PERA | ORP | PERA |
| Active employees | 13,619 | 4,798 | 14,979 | 5,533 |
| Retirees and beneficiaries | 1,826 | 646 | 1,910 | 3,060 |
| Total | 15,445 | 5,444 | 16,889 | 8,593 |

**Total OPEB Liability.** The University OPEB's total OPEB liability at June 30, 2020 of $712.9 million was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

**Actuarial Assumptions and Other Inputs.**The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the actuarial assumptions and other inputs in the following table, applied to all periods included in the measurement, unless otherwise specified.

University OPEB's Actuarial Assumptions and Other Inputs

| | |
|---|---|
| Actuarial cost method | Entry age |
| Inflation | 2.40% |
| Salary increases | PERA's 12/31/2019 assumption for the State Division (Non-Troopers) |
| Discount rate | 3.50% |

Healthcare Cost Trend Rates:

| | Non-Medicare | | | Medicare | | |
|---|---|---|---|---|---|---|
| Year | Medical | Rx | Contributions | Medical | Rx | Contributions |
| 2019-2020 | 6.0% | 9.0% | 6.7% | 4.9% | 9.0% | 7.6% |
| 2020-2021 | 5.8% | 8.5% | 6.4% | 4.9% | 8.5% | 7.3% |
| 2021-2022 | 5.6% | 8.0% | 6.2% | 4.8% | 8.0% | 7.0% |
| 2022-2023 | 5.4% | 7.5% | 5.9% | 4.8% | 7.5% | 6.7% |
| 2023-2024 | 5.3% | 7.0% | 5.7% | 4.7% | 7.0% | 6.3% |
| 2024-2025 | 5.1% | 6.5% | 5.5% | 4.7% | 6.5% | 6.0% |
| 2025-2026 | 5.0% | 6.0% | 5.2% | 4.6% | 6.0% | 5.6% |
| 2026-2027 | 4.8% | 5.5% | 5.0% | 4.5% | 5.5% | 5.2% |
| 2027-2028 | 4.7% | 5.0% | 4.7% | 4.5% | 5.0% | 4.9% |
| 2028-2029+ | 4.5% | 4.5% | 4.5% | 4.5% | 4.5% | 4.5% |

Dental trend rate 4.50% in all years.

Administrative expense trend rate is 3.00% in all years.

**Retirees' Share of Benefit Related Costs:**

| Plan | Retiree Only | Retiree and Spouse or Partner |
|---|---|---|
| Kaiser Medical | $ 109.00 | $ 296.50 |
| Exclusive Medical | $ 50.50 | $ 184.50 |
| High Deductible Medical | $ - | $ 15.00 |
| Medicare Primary Medical | $ 41.31 | $ 207.30 |
| Essential Dental | $ - | $ 16.50 |
| Choice Dental | $ 17.00 | $ 51.50 |
| Premier Dental | $ 46.50 | $ 82.50 |

The discount rate was based upon the Bond Buyer General Obligation 20-Bond Municipal Bond Index.

Mortality rates were based upon the PubT.H-2010 – Healthy Retiree Table for Males or Females, as appropriate, with generational projection using Scale MP-2019.

With the exception of the mortality assumption, the demographic assumptions are based upon Colorado PERA's "Experience Study for the Four Year Period Ending December 31, 2015" for the State Division (Non-Troopers).

The beginning liability at June 30, 2019 was measured at June 30, 2018 using the entry age normal actuarial cost method. The discount rate used in the valuation is 3.85 percent as of the June 30, 2018 measurement and is based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index. The healthcare trend assumption reflects healthcare cost inflation expected to impact the plan based on forecast information in published papers from industry experts (actuaries, health economists, etc.). This research suggests a 7.00 percent long-term average increase for medical benefits, and an 11 percent increase for prescriptions, both trending down to a 4.50 percent increase for 2027 and later years. The dental trend rate is 4.00 percent, and the administrative expenses trend rate is 3.00 percent. The June 30, 2018 measurement date used the PUB-2010 Teachers Classification Table with generational projection using Scale MP-2018.

**Changes in the Total OPEB Liability.** The following table details the changes in the University's total OPEB plan liability during fiscal year 2020.

Reconciliation of University OPEB's Total OPEB Liability *(in thousands)*

| | Total OPEB Liability |
|---|---|
| Balance recognized at June 30, 2019 | $ 843,959 |
| Changes recognized for the fiscal year: | |
| Services cost | 53,400 |
| Interest on total OPEB liability | 34,254 |
| Differences between expected and actual experience | (206,938) |
| Changes of assumption | 3,678 |
| Benefit payments | (15,461) |
| Net changes | (131,067) |
| Balance recognized at June 30, 2020 | $ 712,892 |

Changes of assumptions and other inputs reflect:

- Discount rate changed from 3.85 percent to 3.50 percent.
- Mortality table was updated from PubT.H-2010 – Healthy Retiree Table with generational projection using Scale MP-2018 to PubT.H-2010 – Healthy Retiree Table with generational projection using Scale MP-2019.
- Healthcare trend rates were updated.
- Healthcare claims costs and retiree contributions were updated based upon recent experience.

**Sensitivity of the total OPEB liability to changes in the discount rate.** The following table presents the total OPEB liability of the University OPEB, as well as what University OPEB's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate for the fiscal year ended June 30, 2020.

Sensitivity of University OPEB's Total OPEB Liability to Changes in the Discount Rate (in thousands)

| | 1% Decrease | Discount Rate | 1% Increase |
|---|---|---|---|
| Fiscal year ended | 2.50% | 3.50% | 4.50% |
| June 30, 2020 | 839,627 | 712,892 | 612,579 |

**Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.** The following table presents the total OPEB liability of the University OPEB, as well as what the University OPEB's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates for the fiscal year ended June 30, 2020.

Sensitivity of University OPEB's Total OPEB Liability to Changes in the Healthcare Cost Trend Rate (in thousands)

| Fiscal year ended | 1% Decrease | Trend Rate | 1% Increase |
|---|---|---|---|
| June 30, 2020 | 597,522 | 712,892 | 863,922 |

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.** The University recognized $47.0 million in OPEB expense for the University OPEB Plan in fiscal year 2020. There are no assets accumulating in trust for the University OPEB plan. The following table illustrates the deferred outflows and inflows of resources from various sources as of June 30, 2020.

University's OPEB Deferred Outflows and Inflows *(in thousands)*

| | 2020 | |
|---|---|---|
| | Deferred Outflows | Deferred Inflows |
| Differences between expected and actual experience | - | 232,733 |
| Changes in Assumptions | 29,529 | 27,593 |
| Contributions subsequent to the measurement date | 16,062 | - |
| Total | 45,591 | 260,326 |

The $16.1 million reported as deferred outflows of resources as of June 30, 2020, resulting from contributions subsequent to the measurement date, will be recognized as a reduction to the University's OPEB liability in the year ending June 30, 2021.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as shown in the following table.

Future Amortization of University OPEB's Deferred Outflows of Resources and Inflows of Resources (in thousands)

| **Years ending June 30:** | | |
|---|---|---|
| 2021 | $ | (40,659) |
| 2022 | | (40,659) |
| 2023 | | (40,659) |
| 2024 | | (40,659) |
| 2025 | | (29,791) |
| 2026-2027 | | (38,370) |
| Total | $ | (230,797) |

Amortization bases included in the University's OPEB deferred outflows and inflows of resources as of June 30, 2020 are presented in the following table.

Amortization of University OPEB's Deferred Outflows of Resources and Deferred Inflows of Resources *(in thousands)*

| Date | | Period | | Balance | | Annual |
|---|---|---|---|---|---|---|
| Established | Type of Base | Original | Remaining | Original | Remaining | Amortization |
| July 1, 2017 | Differences between expected and actual experience | 7.4 | 4.4 | $ (87,654) | (52,119) | (11,845) |
| July 1, 2017 | Changes in assumptions | 7.4 | 4.4 | (46,406) | (27,593) | (6,271) |
| July 1, 2018 | Differences between expected and actual experience | 7.5 | 5.5 | (1,728) | (1,268) | (230) |
| July 1, 2018 | Changes in assumptions | 7.5 | 5.5 | 35,919 | 26,341 | 4,789 |
| July 1, 2019 | Differences between expected and actual experience | 7.5 | 6.5 | (209,938) | (179,346) | (27,592) |
| July 1, 2019 | Changes in assumptions | 7.5 | 6.5 | 3,678 | 3,188 | 490 |
| | | | | Total | $ (230,797) | $ (40,659) |

## NOTE 8 – OTHER EMPLOYEE BENEFITS

### A. MEDICAL AND DISABILITY BENEFITS

The Group Benefit Plans Fund is a Pension and Other Employee Benefits Trust Fund established for the purpose of risk financing employee and state-official medical claims. The fund includes several medical plan options ranging from provider of choice to managed care. The State uses a self-funded approach for certain employee and state-official medical claims. The State's contribution to the premium is subject to appropriation by the legislature each year, and State employees pay the difference between the State's contribution and the premium required to meet actuarial estimates. Since the amount of the State contribution is at the discretion of the legislature, employees ultimately bear the risk of funding the benefit plans.

The premiums, which are based on actuarial analysis, are intended to cover claims, reserves, third party administrator fees, stop-loss premiums and other external administration costs (such as COBRA and case management). Premiums also include a fee to offset the internal costs of administering the plan. Internal costs include developing plan offerings, maintaining the online benefits system, and communicating benefit provisions to employees. Employee healthcare premiums are allowed on a pretax basis under the State's Salary Reduction Plan Document. Effective July 1, 2013, premiums also included a fee to implement a statewide wellness program. During fiscal year 2020, covered employees who elected to participate in the wellness plan received a monthly health insurance premium credit of $20 depending on the level of participation.

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.

For the fiscal year ended June 30, 2020, the State offered two statewide, self-funded PPO options administered by United Healthcare and two regional, fully-insured HMO options administered by Kaiser Permanente. Two of these medical options were HSA-qualified high-deductible health plans (HDHPs). Two statewide, dental PPO options administered by Delta Dental were also offered.

The Public Employees Retirement Association (PERA) covers short-term disability claims for State employees eligible under its retirement plan (see Note 6). The Group Benefit Plans Fund provides short-term disability coverage for employees not yet qualified for the retirement plan and secondary benefits for employees also covered under the PERA short-term disability plan.

### B. DEFINED CONTRIBUTION RETIREMENT PLANS

PERAPlus 401(k) Plan

Plan Description - Employees of the State of Colorado that are also members of the SDTF may voluntarily contribute to the PERAPlus 401(k) Program (a voluntary investment program), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The annual contribution limit for employees who participate in the 401(k) Plan is the lesser of $19,000 or

100 percent of compensation less PERA member contributions. Catch-up contributions up to $6,000 were allowed for participants who had attained age 50 before the close of the plan year. Employees vest immediately in their own contributions.

Defined Contribution Retirement Plan (PERA DC Plan)

*Plan Description* – Employees of the State of Colorado that were hired on or after January 1, 2006, and employees of certain community colleges that were hired on or after January 1, 2008, which were eligible to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, have the option to participate in the SDTF or the Defined Contribution Retirement Plan (PERA DC Plan). Pursuant to C.R.S. § 24-51-1501(4), the PERA DC Plan eligibility was extended to certain new classified employees at State Colleges and Universities beginning on January 1, 2019. The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA's CAFR as referred to above.

*Funding Policy* – All participating employees in the PERA DC Plan, with the exception of State Troopers, are required to contribute 8.75 percent of their PERA-includable salary, and the State of Colorado is required to contribute 10.40 percent of PERA-includable salary on behalf of these employees. All participating State Troopers are required to contribute 10.75 percent of their PERA-includable salary, and the State of Colorado is required to contribute 13.10 percent of PERA-includable salary on behalf of these employees. Additionally, the State of Colorado is required to contribute AED and SAED to the SDTF as follows:

| | *As of June 30, 2020* |
|---|---|
| | |
| Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 [1] | 5.00% |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 [1] | 5.00% |
| **Total employer contribution rate to the SDTF[1]** | **10.00%** |

[1]Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.08 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. Participating employees contributed approximately $10.7 million and the State of Colorado recognized pension expense of $13.7 million for the PERA DC Plan.

University of Colorado - Optional Retirement Plan

Under the University's optional retirement plan (ORP), certain members of the University are required to participate in a defined contribution retirement plan administered by the University for the benefit of full-time faculty and exempt staff members. The State constitution assigns the authority to establish and amend plan provisions to the Regents. The contribution requirements of plan members and the University are established and may be amended by the Regents. Generally, employees are eligible for participation in the ORP upon hire and are vested immediately upon participation.

For the year ended June 30, 2020, the University's contribution to the defined contribution retirement plan was equal to 10 percent of covered payroll, and the employee contribution was equal to 5 percent of covered payroll. The University's contribution under the ORP approximated $166.9 million during the year ended June 30, 2020. The employees' contribution under the ORP approximated $83.2 million during the year ended June 30, 2020. Participants in the University's ORP choose to invest all contributions with one or more of three designated vendors. In addition, participants in the University's ORP are covered under federal Social Security. Federal Social Security regulations require both the employer and employee to contribute a percentage of covered payroll to Social Security.

Colorado State University - University Optional Retirement Plan – The Defined Contribution Plan for Retirement (DCP)

Under the University's optional retirement plan, all Academic Faculty, Administrative Professionals, Post-Doctoral Fellows, Veterinary Interns and Clinical Psychology Interns appointed on or after April 1, 1993, are required as a condition of employment under Colorado law to participate in either the University's Defined Contribution Plan (DCP) for Retirement or, in very limited cases, in the PERA Defined Benefit plan (as eligibility permits). DCP participants may select from three investment companies as follows:

- Fidelity Investments / MetLife (eligible Faculty/Staff at CSU-Pueblo do not have access to this investment company)
- Teachers Insurance and Annuity Association (TIAA)
- AIG Retirement Services (AIG)

The defined contribution retirement plans are established pursuant to state statute (24 54.5 101 to 24 54.5 107 C.R.S.). The CSU plan was adopted by the Board of Governors in December 1992 and the CSU-Pueblo plan was adopted in April 1993. The Defined Contribution Retirement Plan is a qualified plan under Section 401(a) of the IRC. CSU and CSU-Pueblo are the Plan Sponsors. All participants contribute the required eight percent of eligible salary. As required, CSU provides a matching contribution of 12.0 percent of eligible salary for all "permanent" appointees (those with regular, special and senior teaching appointments at half time or greater) and for temporary appointees with appointments of half time or greater for the second and subsequent consecutive year(s). CSU-Pueblo provides a matching contribution of 10.8 percent, as required, of eligible salary for all nonstudent employees, including those employees at less than half time and nonstudent temporary, hourly employees. Both employee and employer contributions are vested immediately. Investments are participant directed within the funds available through the authorized investment companies. For the year ended June 30, 2020, the System's contribution to the defined contribution retirement plan was equal to 11.5 percent of covered payroll, and the employee contribution was equal to 8 percent of covered payroll. The System's contribution under the ORP approximated $54.4 million during the year ended June 30, 2020.

## NOTE 9 – RISK MANAGEMENT

The State currently self-insures its agencies, officials, and employees for certain risks of loss to which they are exposed. These include general liability, motor vehicle liability, and workers' compensation. Per statute, individual Department property claims have a $5,000 deductible per occurrence. Pursuant to the Colorado Governmental Immunity Act, Section 24-10-101 C.R.S., claims that accrued before January 1, 2018 brought under state law are limited to $350,000 per person and $990,000 per accident. Claims that accrue after January 1, 2018 and before January 1, 2022 brought under state law are limited to $387,000 per person and $1,093,000 per accident. The Colorado Governmental Immunity Act requires the Secretary of State to certify adjusted limits for claims that accrue after January 1, 2022 by that date based on the percentage change of the consumer price index over the preceding four years. 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.

Workers compensation losses are self-insured per the Risk Management Act (Section 24-30-1501, C.R.S.); the State has purchased $50.0 million of excess insurance per occurrence ($10.0 million deductible). Property claims are self-insured as well; $450.0 million of property loss insurance ($1,000,000 deductible). The State has also purchased excess liability coverage for automotive liability outside Colorado $5.0 million per occurrence ($2.0 million deductible), and $10.0 million of employee dishonesty and theft loss coverage ($250,000 deductible). Liability 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 and CSU-Global), the University of Northern Colorado, Colorado School of Mines, Fort Lewis College, Colorado Mesa University, Western State Colorado University, Adams State University and component units participate in the State Risk Management Fund. State agency premiums are based on an assessment of risk exposure and historical claims experience.

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

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

Colorado employers, including the State, are liable for occupational injuries and diseases of their employees through workers' compensation insurance or self-insurance. Benefits are prescribed by the Workers' Compensation Act of Colorado for medical expenses and loss of wages resulting from job-related injuries. The State is self-insured and uses the services of a third party administrator, Broadspire Services, to administer its plan. The State reimburses Broadspire the current cost of claims paid and related administrative expenses.

From January 1, 2000 through June 30, 2005, the State and its employees purchased insurance for medical claims. Beginning July 1, 2005, the State returned to the self-funding approach (used prior to January 1, 2000) for medical claims except for stop-loss insurance purchased for claims over $500,000 per individual. The State also maintains a fully insured health plan with Kaiser that is separate from the self-funded plan. In Fiscal Year 2020, the State recovered approximately $4.3 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's contribution is at the discretion of the legislature, employees ultimately bear the risk of funding the benefit plans. The claims and related liabilities are reported in the Group Benefit Plans, a Pension and Other Employee Benefits Trust Fund.

The State recorded approximately $15.3 million of insurance recoveries during Fiscal Year 2020. Of that amount approximately $7.8 million was related to asset impairments that occurred in prior years. The remaining $7.5 million relates to the current year and was primarily recorded by Group Benefits Plans (including the $4.3 million, as noted above), a Pension and Other Employee Benefits Fund, and $1.8 million by Higher Education in the Higher Education Institutions Fund.

The University of Colorado is self-insured for workers' compensation, auto, and general and property liability. An actuarial projection is performed to estimate the self-insured plan's undiscounted liabilities. The University purchases excess insurance for losses over its self-insured retention of $500,000 per property claim, $1.5 million per worker's compensation claim, and $1.25 million per general liability claim. There were no significant reductions in insurance coverage in Fiscal Year 2020 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

University of Colorado tort claims are subject to the governmental immunity act, and damages are capped for specified waived areas at $350,000 per person and $990,000 per occurrence. In October 2018, the University of Colorado formed a captive insurance company, Altitude West. A captive is a limited purpose, licensed insurance company; the main business purpose of which is to insure the risks of the captive's owner, who is also its principal beneficiary. The captive insurance company owner has direct involvement in and influence over the captive's major operations, including underwriting, claims management, policy form, and investments. Altitude West operates by and for the University of Colorado. The advantages offered by Altitude West as a captive insurer are significant. It gives the University the ability to provide customized coverage specific policy forms that will allow CU to address its unique risks and exposures. There were no reductions of insurance coverage in Fiscal Year 2020, 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 $325,000 per person. There were no reductions of insurance coverage in Fiscal Year 2020 for this program. There have been no claims against the aggregate stop-loss insurance in the previous three years; however, the University collected $5,575,792 from the stop-loss insurance carrier for individual claims in excess of the threshold over the previous three years. There was a high-cost claimant incurred in Fiscal Year 2020 with a result of $5.1 million in reimbursements. 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 stop-loss insurance to cover claims greater than $500,000 per claimant, $1.5 million per occurrence, and $8.0 million in aggregate annually. The discounted liability for malpractice is determined annually by an actuarial study. There was no significant reduction in insurance coverage in Fiscal Year 2020, however, the University collected $63,217 from the stop-loss insurance carrier for individual claims in excess of the threshold over the previous three years.

Colorado State University is self-insured for employee medical and dental plans, but purchases re-insurance for healthcare claims over $275,000. The related liability is based on underwriting review of claims history and current data. The University is self-insured for worker's compensation up to $500,000 per occurrence and has purchased reinsurance for individual claims up to statutory limits. There was no significant reduction in insurance coverage in Fiscal Year 2020 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

CSU instructs an Actuarial company to perform an annual actuarial study of CSU's Workers' Compensation and Liability self-insurance programs. CSU is self-insured for liability insurance and carries Excess Public Liability for claims exceeding $500,000 per occurrence. CSU is liable for the first $500,000 and purchases excess liability in the amount of $25,000,000 per occurrence in two layers: the first layer of $10,000,000 with Brit (Lloyds of London), with a sexual abuse sublimit of $5,000,000, and an additional layer of $10,000,000 with Munich RE, and Brit providing an additional layer of $5,000,000. CSU carries excess Workers Compensation. Under this coverage CSU is liable for the first $500,000 and Safety National Casualty Company covers the rest up to Workers' Compensation's statutory limits. CSU carries excess insurance for property insurance with FM Global which provides coverage up to $1,000,000,000 per occurrence after CSU covers the first $100,000. CSU purchases a standalone Fine Arts/Special Collections policy with limits of $30,000,000. CSU carries Cyber Risk Liability Insurance with Lloyds of London with a liability limit of $10,000,000 after the following deductible amounts are met: $250,000 for cyber extortion, and $10,000 for crisis management and public relations. CSU has International Liability Insurance with Great Northern Insurance Company for $1,000,000. CSU carries Non-Owned Aviation Liability Insurance (Non-Owned) with Starr Aviation with a liability limit of $50,000,000 after CSU pays the $1,000 deductible for each occurrence. CSU also carries UAV (Unmanned Aerial Vehicles) Liability Insurance with Global Aerospace with a single limit of $1,000,000 per occurrence. Insurance policies are reviewed regularly for gaps in coverage, and where appropriate additional coverage may be purchased. For FY19, additional limits of $1,000,000 were purchased for social engineering coverage. As of March 1, 2016 CSU, purchased liability, professional liability and pollution liability for all CEMML (Center for Environmental Management of Military Lands) operations, including their prescribed burn operations. This insurance included a primary layer of $2,000,000 aggregate, an umbrella layer of $5,000,000, and an excess layer of $5,000,000. Effective October 2017 CSU purchased additional limits of $50,000,000 for CEMML operations, including additional responsibility for prescribed burning. There were no significant reductions in insurance coverage in Fiscal Year 2020, 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, automobile, 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 2006.

The University of Northern Colorado 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), $2.0 million umbrella liability ($10,000 self-insured retention), Fidelity (employee dishonesty) covered by Travelers for $3.0 million ($25,000 deductible), and other property covered by Midwestern Higher Education Compact for $500.0 million ($50,000 deductible). There were no significant reductions in insurance coverage in Fiscal Year 2020, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

Colorado School of Mines manages worker's compensation risks primarily through the purchase of insurance. The University has purchased $500,000 of worker's compensation insurance ($0 deductible). Before Fiscal Year 2018, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2020, and the amount of settlements has not exceeded coverage during the fiscal year.

Colorado School of Mines manages other liability risks through the purchase of insurance. The University purchased $2.0 million of general liability insurance ($0 deductible), $4.0 million of educator's legal liability insurance ($10,000 deductible), $1.0 million of automobile liability ($1,000 deductible), $1.0 million of fiduciary ($10,000 deductible), $4.0 million of employment practices liability ($25,000 deductible), $3.0 million of umbrella liability ($10,000 self-insured retention), $1.0 million of employee dishonesty ($25,000 deductible), $1.0 billion of property ($50,000 deductible), $750,000 of inland marine ($5,000 deductible), and $1.0 million of aviation ($0 deductible). Before Fiscal Year 2018, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2020, and the amount of settlements has not exceeded coverage during the fiscal year.

Fort Lewis College manages worker's compensation risks primarily through the purchase of insurance. The College has purchased $500,000 of worker's compensation insurance ($5,000 deductible). Before Fiscal Year 2011, the College was covered under the State's risk management program. The College retains a small amount of self-insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2010. There were no significant reductions in insurance coverage in Fiscal Year 2020, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

Fort Lewis College manages general liability risks primarily through the purchase of insurance. The College has purchased blanket building and personal property insurance of $541.2 million ($10,000 deductible), $2.0 million of general liability ($0 deductible), and $7.0 million of fine arts insurance ($2,500 deductible). The College has also purchased $1.0 million of employee dishonesty insurance ($10,000 deductible). Before Fiscal Year 2012, the College was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2020 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Colorado Mesa University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased $1.0 million of worker's compensation insurance ($5,000 deductible). Before Fiscal Year 2011, the University was covered under the State's risk management program. The University retains a small amount of self-insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2010. There were no significant reductions in insurance coverage in Fiscal Year 2020, and the amount of settlements has not exceeded insurance coverage in the past three fiscal years.

Colorado Mesa University manages general liability risks primarily through the purchase of insurance. The University has purchased $2.0 million of general liability insurance ($1,000 deductible). Before Fiscal Year 2012, the University was covered under the State's risk management program. The University retains a small amount of self-insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2011. There were no significant reductions in insurance coverage in Fiscal Year 2020 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Western State Colorado University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased $500,000 of worker's compensation insurance ($500 deductible). Before Fiscal Year 2012, the University was covered under the State's risk management program. The University retains a small amount of self-insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2011 There were no significant reductions in insurance coverage in Fiscal Year 2020 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Western State Colorado University manages general liability risks primarily through the purchase of insurance. The University has purchased general liability insurance of $2.0 million ($1,000 deductible for accidents and acts of nature, $10,000 for loss to property). Before Fiscal Year 2013, 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 2013. There were no significant reductions in insurance coverage in Fiscal Year 2020, and the amount of settlements has not exceeded insurance coverage in any of the prior three fiscal years.

Adams State University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased worker's compensation insurance of $500,000 ($500 deductible). Before Fiscal Year 2012, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2020 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Adams State University manages liability risks primarily through the purchase of insurance. The University has purchased a property policy that will cover the replacement costs of all real or personal property, a $2.0 million aggregate general liability policy ($1,000 deductible), auto, fidelity, and a $10.0 million aggregate umbrella policy. Before Fiscal Year 2012, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2020 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Changes in claims liabilities were as follows:

Changes in Claims Liabilities
(Amounts in Thousands)

| Fiscal Year | Liability at July 1 | Current Year Claims and Changes in Estimates | Claim Payments | Liability at June 30 |
|---|---|---|---|---|
| State Risk Management: | | | | |
| Liability Fund | | | | |
| 2019-20 | 22,076 | 12,695 | 6,817 | 27,954 |
| 2018-19 | 22,399 | 4,007 | 4,330 | 22,076 |
| 2017-18 | 23,885 | 2,816 | 4,302 | 22,399 |
| Workers' Compensation | | | | |
| 2019-20 | 118,210 | 16,170 | 30,350 | 104,030 |
| 2018-19 | 126,908 | 22,011 | 30,709 | 118,210 |
| 2017-18 | 134,393 | 23,503 | 30,988 | 126,908 |
| Group Benefit Plans: | | | | |
| 2019-20 | 20,935 | 262,537 | 260,544 | 22,928 |
| 2018-19 | 18,459 | 246,177 | 243,701 | 20,935 |
| 2017-18 | 16,077 | 233,694 | 231,312 | 18,459 |
| University of Colorado: | | | | |
| General Liability, Property, and Workers' Compensation | | | | |
| 2019-20 | 19,308 | 5,520 | 7,587 | 17,241 |
| 2018-19 | 16,769 | 9,512 | 6,973 | 19,308 |
| 2017-18 | 16,119 | 7,913 | 7,263 | 16,769 |
| University of Colorado Denver: | | | | |
| Graduate Medical Education Health Benefits Program | | | | |
| 2019-20 | 2,832 | 10,470 | 10,800 | 2,502 |
| 2018-19 | 2,689 | 13,856 | 13,713 | 2,832 |
| 2017-18 | 2,309 | 13,012 | 12,632 | 2,689 |
| Medical Malpractice | | | | |
| 2019-20 | 10,710 | 943 | 1,208 | 10,445 |
| 2018-19 | 9,767 | 4,377 | 3,434 | 10,710 |
| 2017-18 | 9,428 | 1,451 | 1,112 | 9,767 |

Changes in Claims Liabilities
(Amounts in Thousands)

| (Continued)<br>Fiscal Year | Liability at July 1 | Current Year Claims and Changes in Estimates | Claim Payments | Liability at June 30 |
|---|---|---|---|---|
| Colorado State University: | | | | |
| Medical, Dental, and Disability Benefits and General Liability | | | | |
| 2019-20 | 34,975 | 62,265 | 60,166 | 37,074 |
| 2018-19 | 30,548 | 62,504 | 58,077 | 34,975 |
| 2017-18 | 29,917 | 57,038 | 56,407 | 30,548 |
| University of Northern Colorado: | | | | |
| General Liability, Property, and Workers' Compensation | | | | |
| 2019-20 | 55 | 56 | 59 | 52 |
| 2018-19 | 78 | 36 | 59 | 55 |
| 2017-18 | 135 | (25) | 32 | 78 |
| Colorado School of Mines: | | | | |
| General Liability, Property, and Workers' Compensation | | | | |
| 2019-20 | 256 | - | 256 | - |
| 2018-19 | 295 | - | 39 | 256 |
| 2017-18 | - | 321 | 26 | 295 |
| Fort Lewis College: | | | | |
| Workers' Compensation | | | | |
| 2019-20 | 6 | 4 | 6 | 4 |
| 2018-19 | 2 | 4 | - | 6 |
| 2017-18 | 2 | 3 | 3 | 2 |
| General Liability | | | | |
| 2019-20 | 11 | (1) | - | 10 |
| 2018-19 | - | 11 | - | 11 |
| 2017-18 | 3 | (3) | - | - |
| Colorado Mesa University: | | | | |
| Workers' Compensation | | | | |
| 2019-20 | 52 | 36 | 56 | 32 |
| 2018-19 | 29 | 42 | 19 | 52 |
| 2017-18 | 36 | 27 | 34 | 29 |
| General Liability | | | | |
| 2019-20 | 182 | 673 | 536 | 319 |
| 2018-19 | 36 | 238 | 92 | 182 |
| 2017-18 | - | 18 | (18) | 36 |

## NOTE 10 – LEASES AND SHORT-TERM DEBT

### LEASE COMMITMENTS

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. Therefore, they are treated as non-cancellable for financial reporting purposes.

At June 30, 2020, the State had the following amounts of assets under capital lease:

| | (Amounts in Thousands) | | |
|---|---|---|---|
| Gross Capital Assets Under Lease: | Governmental Activities | Business-Type Activities | Total |
| Buildings | $ 54,936 | $ 20,379 | $ 75,315 |
| Equipment and Other | 48,694 | 35,731 | 84,425 |
| Total Capital Assets Under Lease, Gross | 103,630 | 56,110 | 159,740 |
| Less Accumulated Depreciation: | | | |
| Buildings | (20,383) | (8,232) | (28,615) |
| Equipment and Other | (29,491) | (11,853) | (41,344) |
| Total Accumulated Depreciation | (49,874) | (20,085) | (69,959) |
| Total Capital Assets Under Lease, Net | $ 53,756 | $ 36,025 | $ 89,781 |

At June 30, 2020, the State expected future minimum sublease rentals relating to operating leases of $2.4 million for business-type activities and $292,224 for governmental activities. No future minimum sublease rentals related to capital leases are expected.

During the year ended June 30, 2020, the State incurred no contingent rentals related to capital and operating leases.

For Fiscal Year 2020, the State recorded building and land rent of $76.3 million for governmental-type activities, $23.1 million for business-type activities, and $30,873 for fiduciary activities. The State also recorded equipment and vehicle rental expenditures of $25.0 million and $54.1 million for governmental and business-type activities, respectively. The above amounts were payable to entities external to State government and do not include transactions with the State's fleet management program.

The State recorded $3.2 million of capital lease interest costs for governmental activities and $1.2 million for business-type activities in Fiscal Year 2020.

In Fiscal Year 2020, the State entered into approximately $20.7 million of capital leases related to the State's fleet management program, which is reported in an internal service fund that does not report capital lease proceeds.

Future minimum payments at June 30, 2020, for existing leases were as follows:

(Amounts in Thousands)

| | Operating Leases | | Capital Leases | | | |
|---|---|---|---|---|---|---|
| | | | Governmental Activities | | Business-Type Activities | |
| Fiscal Year(s) | Governmental Activities | Business-Type Activities | Principal | Interest | Principal | Interest |
| 2021 | $ 52,008 | $ 31,497 | $ 27,212 | $ 3,544 | $ 5,832 | $ 1,033 |
| 2022 | 47,743 | 29,423 | 26,044 | 2,852 | 5,231 | 871 |
| 2023 | 42,011 | 22,886 | 17,888 | 1,848 | 4,895 | 713 |
| 2024 | 39,508 | 19,646 | 13,578 | 1,259 | 3,482 | 563 |
| 2025 | 35,071 | 16,752 | 10,133 | 939 | 10,189 | 461 |
| 2026 to 2030 | 68,089 | 55,106 | 23,854 | 1,494 | 5,601 | 421 |
| 2031 to 2035 | 3,977 | 6,899 | 1,113 | 44 | 415 | 4 |
| 2036 to 2040 | 714 | 950 | - | - | - | - |
| 2041 to 2045 | 61 | 927 | - | - | - | - |
| 2046 to 2050 | 61 | 388 | - | - | - | - |
| 2051 to 2055 | 61 | 108 | - | - | - | - |
| 2056 to 2060 | 61 | 114 | - | - | - | - |
| Thereafter | 553 | - | - | - | - | - |
| Total | $ 289,918 | $ 184,696 | $ 119,822 | $ 11,980 | $ 35,645 | $ 4,066 |

**SHORT-TERM DEBT**

On July 24, 2019, the State Treasurer issued $600.0 million of General Fund Tax Revenue Anticipation Notes (GTRAN), Series 2019A. The notes were due and payable on June 26, 2020, at a coupon rate of 4.033 percent. The total interest related to this issuance was $22.3 million; however, the notes were issued at a premium of $15.8 million, resulting in net interest costs (including the cost of issuance) of $6.7 million and a yield of 1.144 percent. The notes were issued for cash management purposes and were repaid by June 26, 2020, 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 18, 2019, the State Treasurer issued $400.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2019A. The notes were due and payable on June 29, 2020, at a coupon rate of 3.000 percent. The total interest related to this issuance was $11.4 million; however, the notes were issued at a premium of $6.9 million, resulting in net interest costs (including cost of issuance) of $4.7 million or 1.150 percent. The notes matured on June 29, 2020, and were repaid.

On January 16, 2020, the State Treasurer issued $400.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2019B. The notes were due and payable on June 29, 2020, at a coupon rate of 3.344 percent. The total interest related to this issuance was $6.1 million; however, the notes were issued at a premium of $4.4 million, resulting in net interest costs (including cost of issuance) of $1.8 million or 0.908 percent. The notes matured on June 29, 2020, and were repaid.

On June 5, 2018, the Board of Regents of the University of Colorado issued the first tranche of Commercial Paper in the amount of $40.0 million with a maturity of September 6, 2018. In Fiscal Year 2019, the University issued the second through eleventh tranches of commercial paper, totaling $430.5 million and retired $335.0 million. The Commercial Paper program has been used to fund the Imig Music Building, AMC Health Sciences Building and associated basement remodels. The average interest rate of borrowing from inception of the program through fiscal year end was 1.44 percent. In Fiscal Year 2020, $155.7 million of commercial paper was retired with permanent financing while $280.4 million of commercial paper was retired with the issuance of additional commercial paper.

On June 20, 2018, the Board of Governors of the Colorado State University System was authorized to issue Commercial Paper Notes in the aggregate principal amount not to exceed $50.0 million as part of the Series A and

Taxable Series B issuance. The maturity date of any notes issued may not exceed two hundred and seventy days from the date of issuance and no maturity may be later than March 1, 2037. Pursuant to the Bond Resolution, the obligations are payable solely from net revenues, as defined. The notes are being used to finance certain projects, as determined by the Board, including but not limited to: the construction, acquisition, renovation, improvement, and equipping of the Richardson Design Center in Fort Collins; the Institute for Biological and Translational Therapies in Fort Collins; the JBS Global Food Innovation Center in Honor of Gary and Kay Smith in Fort Collins; the Semester at Sea Building in Fort Collins; the Western Colorado Research Center Orchard Mesa Research Station; Alumni Furniture; any other improvements to any of the campuses for which the Board has spending authority; and such other capital projects as may be designated by the Board (collectively the "Commercial Paper Improvement Projects").

In May 2019, the Board of Governors of the Colorado State University System approved the first amendment to the twelfth supplemental resolution, increasing the aggregate principal amount authorized to be issued from $50.0 million to $75.0 million. This increase became effective beginning Fiscal Year 2020. As of June 30, 2020, no action has been taken on the authorized increase of $25.0 million.

The following schedule shows the changes in short-term financing for the period ended June 30, 2020:

(Amount in Thousands)

| | Beginning Balance July 1 | Changes Additions | Changes Reductions | Ending Balance June 30 |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| Tax Revenue Anticipation Notes | $ - | $ 600,000 | $ (600,000) | $ - |
| Education Loan Anticipation Notes | - | 800,000 | (800,000) | - |
| Total Governmental Activities Short-Term Financing | - | 1,400,000 | (1,400,000) | - |
| Business Type Activities: | | | | |
| Tax Exempt Commercial Paper | 184,700 | 350,627 | (452,827) | 82,500 |
| Total Business Type Activities Short-Term Financing | 184,700 | 350,627 | (452,827) | 82,500 |
| Total Short-Term Financing | $ 184,700 | $ 1,750,627 | $ (1,852,827) | $ 82,500 |

## NOTE 11 – NOTES, BONDS, AND CERTIFICATES OF PARTICIPATION PAYABLE

Various institutions of higher education, History Colorado, the Judicial Branch, and the Departments of Corrections, Transportation, Agriculture, Public Administration, Public Safety, and Treasury 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 that receives Capital Projects Fund appropriations and the Department of Public Safety that receives General Purpose Revenue 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.

Collectively, the State's business-type activities had $1,860.6 million in available net revenue after operating expenses to meet the $359.6 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 17.)

During Fiscal Year 2020, the State recorded $306.2 million of interest costs, of which $105.8 million was recorded by governmental activities and $200.4 million was recorded by business-type activities. The governmental activities interest cost primarily comprises $6.1 million of Highway Users Tax Fund interest on Transportation Revenue Anticipation Notes issued by the Department of Transportation, $16.9 million of interest on Certificates of Participation issued by the Judicial Branch, $47.5 million of interest on Certificates of Participation issued by the State Treasurer for the Building Excellent Schools Today program and $6.5 million of interest on Education and General Fund Tax and Revenue Anticipation Notes issued by the State Treasurer. The business-type activities interest cost primarily comprises $181.8 million of interest on revenue bonds issued by institutions of higher education, $10.6 million of interest paid to lending institutions that made loans to students under the College Assist loan guarantee program, and $7.9 million of interest on bonds issued by the Bridge Enterprise in the Transportation Enterprise. College Assist and the Transportation Enterprise are nonmajor enterprise funds. Annual maturities of notes, bonds, and COPs payable at June 30, 2020, are as follows:

(Amounts in Thousands)

Governmental Activities (Non-Direct Borrowings and Non-Direct Placements)

| Fiscal Year | Certificates of Participation Principal | Certificates of Participation Interest | Totals Principal | Totals Interest |
|---|---|---|---|---|
| 2021 | $ 64,560 | $ 112,836 | $ 64,560 | $ 112,836 |
| 2022 | 68,480 | 107,975 | 68,480 | 107,975 |
| 2023 | 72,430 | 103,902 | 72,430 | 103,902 |
| 2024 | 163,125 | 100,224 | 163,125 | 100,224 |
| 2025 | 85,925 | 96,123 | 85,925 | 96,123 |
| 2026 to 2030 | 605,065 | 408,622 | 605,065 | 408,622 |
| 2031 to 2035 | 608,045 | 271,045 | 608,045 | 271,045 |
| 2036 to 2040 | 616,655 | 137,601 | 616,655 | 137,601 |
| 2041 to 2045 | 260,995 | 31,591 | 260,995 | 31,591 |
| 2046 to 2050 | 4,745 | 158 | 4,745 | 158 |
| Subtotals | 2,550,025 | 1,370,077 | 2,550,025 | 1,370,077 |
| Unamortized Prem/Discount | 259,774 | - | 259,774 | - |
| Totals | $ 2,809,799 | $ 1,370,077 | $ 2,809,799 | $ 1,370,077 |

(Amounts in Thousands)

Governmental Activities (Direct Borrowings and Direct Placements)

| Fiscal Year | Notes Payable Principal | Notes Payable Interest | Certificates of Participation Principal | Certificates of Participation Interest | Totals Principal | Totals Interest |
|---|---|---|---|---|---|---|
| 2021 | $ 2,270 | $ 95 | $ 3,735 | $ 2,541 | $ 6,005 | $ 2,636 |
| 2022 | 2,315 | 48 | 3,850 | 3,167 | 6,165 | 3,215 |
| 2023 | - | - | 2,920 | 3,010 | 2,920 | 3,010 |
| 2024 | - | - | 3,040 | 2,857 | 3,040 | 2,857 |
| 2025 | - | - | 3,165 | 2,686 | 3,165 | 2,686 |
| 2026 to 2030 | - | - | 17,835 | 12,548 | 17,835 | 12,548 |
| 2031 to 2035 | - | - | 19,340 | 8,984 | 19,340 | 8,984 |
| 2036 to 2040 | - | - | 17,725 | 7,537 | 17,725 | 7,537 |
| 2041 to 2045 | - | - | 21,925 | 4,715 | 21,925 | 4,715 |
| Subtotals | 4,585 | 143 | 93,535 | 48,045 | 98,120 | 48,188 |
| Unamortized Prem/Discount | - | - | 254 | - | 254 | - |
| Totals | $ 4,585 | $ 143 | $ 93,789 | $ 48,045 | $ 98,374 | $ 48,188 |

(Amounts in Thousands)

Business-Type Activities (Non-Direct Borrowings and Non-Direct Placements)

| Fiscal Year | Revenue Bonds Principal | Revenue Bonds Interest | Mortgages Payable Principal | Mortgages Payable Interest | Certificates of Participation Principal | Certificates of Participation Interest | Totals Principal | Totals Interest |
|---|---|---|---|---|---|---|---|---|
| 2021 | $ 136,518 | $ 176,526 | $ 387 | $ 414 | $ 33,025 | $ 15,272 | $ 169,930 | $ 192,212 |
| 2022 | 141,707 | 171,249 | 404 | 397 | 34,455 | 13,829 | 176,566 | 185,475 |
| 2023 | 145,092 | 165,828 | 421 | 380 | 29,905 | 12,386 | 175,418 | 178,594 |
| 2024 | 146,214 | 159,828 | 439 | 362 | 31,175 | 10,950 | 177,828 | 171,140 |
| 2025 | 368,378 | 151,523 | 457 | 344 | 30,830 | 9,430 | 399,665 | 161,297 |
| 2026 to 2030 | 816,112 | 634,648 | 2,593 | 1,413 | 109,585 | 28,508 | 928,290 | 664,569 |
| 2031 to 2035 | 856,228 | 450,720 | 5,445 | 569 | 45,185 | 10,372 | 906,858 | 461,661 |
| 2036 to 2040 | 767,695 | 262,226 | - | - | 31,474 | 2,612 | 799,169 | 264,838 |
| 2041 to 2045 | 413,500 | 115,584 | - | - | - | - | 413,500 | 115,584 |
| 2046 to 2050 | 181,487 | 49,286 | - | - | - | - | 181,487 | 49,286 |
| 2051 to 2055 | 126,235 | 21,513 | - | - | - | - | 126,235 | 21,513 |
| 2056 to 2060 | 34,505 | 1,747 | - | - | - | - | 34,505 | 1,747 |
| Subtotals | 4,133,671 | 2,360,678 | 10,146 | 3,879 | 345,634 | 103,359 | 4,489,451 | 2,467,916 |
| Unamortized Prem/Discount | 283,421 | - | - | - | 29,243 | - | 312,664 | - |
| Unaccreted Interest | (3,696) | - | - | - | - | - | (3,696) | - |
| Totals | $ 4,413,396 | $ 2,360,678 | $ 10,146 | $ 3,879 | $ 374,877 | $ 103,359 | $ 4,798,419 | $ 2,467,916 |

(Amounts in Thousands)

Business-Type Activities (Direct Borrowings and Direct Placements)

| 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 |
|---|---|---|---|---|---|---|---|---|
| 2021 | $ 8,149 | $ 7,024 | $ 1,111 | $ 1,396 | $ 575 | $ 405 | $ 9,835 | $ 8,825 |
| 2022 | 9,359 | 6,853 | 1,097 | 1,362 | 2,570 | 451 | 13,026 | 8,666 |
| 2023 | 9,439 | 6,564 | 7,391 | 2,382 | 2,090 | 372 | 18,920 | 9,318 |
| 2024 | 10,674 | 6,241 | 17,044 | 3,081 | 2,065 | 323 | 29,783 | 9,645 |
| 2025 | 9,403 | 5,893 | 18,950 | 1,924 | 2,125 | 272 | 30,478 | 8,089 |
| 2026 to 2030 | 46,175 | 24,805 | 10,448 | 769 | 8,960 | 556 | 65,583 | 26,130 |
| 2031 to 2035 | 57,675 | 15,491 | 184 | 6 | - | - | 57,859 | 15,497 |
| 2036 to 2040 | 36,735 | 7,909 | - | - | - | - | 36,735 | 7,909 |
| 2041 to 2045 | 26,820 | 2,459 | - | - | - | - | 26,820 | 2,459 |
| 2046 to 2050 | 6,815 | 200 | - | - | - | - | 6,815 | 200 |
| Subtotals | 221,244 | 83,439 | 56,225 | 10,920 | 18,385 | 2,379 | 295,854 | 96,738 |
| Unamortized Prem/Discount | 2,548 | - | - | - | (14) | - | 2,534 | - |
| Totals | $ 223,792 | $ 83,439 | $ 56,225 | $ 10,920 | $ 18,371 | $ 2,379 | $ 298,388 | $ 96,738 |

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

Assuming current interest rates are applied over the term of the debt, at June 30, 2020, the Colorado School of Mines' 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 |
|---|---|---|---|---|
| 2021 | $ 575 | $ 202 | $ 1,288 | $ 2,065 |
| 2022 | 850 | 198 | 1,262 | 2,310 |
| 2023 | 925 | 194 | 1,230 | 2,349 |
| 2024 | 975 | 187 | 1,197 | 2,359 |
| 2025 | 1,000 | 181 | 1,162 | 2,343 |
| 2026 to 2030 | 9,675 | 784 | 5,009 | 15,468 |
| 2031 to 2035 | 14,125 | 435 | 2,771 | 17,331 |
| 2036 to 2040 | 8,635 | 70 | 449 | 9,154 |
| Totals | $ 36,760 | $ 2,251 | $ 14,368 | $ 53,379 |

In January 2018, Colorado State University entered into a floating to fixed interest rate swap agreement in connection with the 2015D System Enterprise Revenue Bonds.

Assuming current interest rates are applied over the term of the debt, at June 30, 2020, Colorado State University's aggregate debt service payments and net swap cash payments are reflected in the table below:

(Amounts in Thousands)

Net Debt Service for Colorado State University Interest Rate Swap Agreement

| Fiscal Year | Principal | Interest | Interest Rate Swap, Net | Total |
|---|---|---|---|---|
| 2021 | $ - | $ 420 | $ 1,189 | $ 1,609 |
| 2022 | - | 421 | 1,189 | 1,610 |
| 2023 | - | 421 | 1,189 | 1,610 |
| 2024 | 1,005 | 419 | 1,185 | 2,609 |
| 2025 | 1,005 | 412 | 1,167 | 2,584 |
| 2026 to 2030 | 9,040 | 1,918 | 5,432 | 16,390 |
| 2031 to 2035 | 20,385 | 1,417 | 4,015 | 25,817 |
| 2036 to 2040 | 13,105 | 929 | 2,630 | 16,664 |
| 2041 to 2045 | 15,300 | 486 | 1,376 | 17,162 |
| 2046 to 2050 | 6,815 | 52 | 148 | 7,015 |
| Totals | $ 66,655 | $ 6,895 | $ 19,520 | $ 93,070 |

In fiscal year 2020, CSU entered into a floating to fixed interest swap agreement in connection with the 2015A System Enterprise Revenue Bonds. This agreement gives the university the right to enter into a swap agreement on a future date, March 2025.

Assuming current interest rates are applied over the term of the debt, at June 30, 2020, Colorado State University's aggregate debt service payments and net swap cash payments are reflected in the table below:

(Amounts in Thousands)

Net Debt Service for Colorado State University Interest Rate Swap Agreement

| Fiscal Year | Principal | Interest | Interest Rate Swap, Net | Total |
|---|---|---|---|---|
| 2021 | $ - | $ 4,511 | $ - | $ 4,511 |
| 2022 | - | 4,511 | - | 4,511 |
| 2023 | - | 4,511 | - | 4,511 |
| 2024 | - | 4,511 | - | 4,511 |
| 2025 | - | 4,511 | - | 4,511 |
| 2026 to 2030 | 1,950 | 22,554 | (9,907) | 14,597 |
| 2031 to 2035 | 7,755 | 22,443 | (10,100) | 20,098 |
| 2036 to 2040 | 8,875 | 21,255 | (9,822) | 20,308 |
| 2041 to 2045 | 4,415 | 18,892 | (8,722) | 14,585 |
| 2046 to 2050 | 36,910 | 16,242 | (7,641) | 45,511 |
| 2051 to 2055 | 48,835 | 6,865 | (3,384) | 52,316 |
| Totals | $ 108,740 | $ 130,806 | $ (49,576) | $ 189,970 |

In April 2020, Metropolitan State University 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, 2020, Metropolitan State University's aggregate debt service payments and net swap cash payments are reflected in the table below:

(Amounts in Thousands)

Net Debt Service for Metropolitan State University Interest Rate Swap Agreement

| Fiscal Year | Principal | Interest | Interest Rate Swap, Net | Total |
|---|---|---|---|---|
| 2021 | $ - | $ 1,097 | $ 922 | $ 2,020 |
| 2022 | 1,365 | 1,066 | 1,075 | 3,506 |
| 2023 | 1,415 | 1,033 | 1,042 | 3,491 |
| 2024 | 1,465 | 1,000 | 1,008 | 3,473 |
| 2025 | 1,535 | 964 | 973 | 3,472 |
| 2026 to 2030 | 8,590 | 4,244 | 4,281 | 17,115 |
| 2031 to 2035 | 10,405 | 3,135 | 3,162 | 16,702 |
| 2036 to 2040 | 12,615 | 1,790 | 1,805 | 16,210 |
| 2041 to 2045 | 10,320 | 277 | 279 | 10,876 |
| Totals | $ 47,710 | $ 14,606 | $ 14,549 | $ 76,865 |

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

Non-Direct Borrowings and Non-Direct Placements (Amounts in Thousands)

| | Revenue Bonds | Mortgages Payable | Certificates of Participation | Total |
|---|---|---|---|---|
| Governmental Activities | $ - | $ - | $ 2,789,320 | $ 2,789,320 |
| Business Type Activities | 5,681,025 | 12,450 | 560,263 | $ 6,253,738 |
| Total | $ 5,681,025 | $ 12,450 | $ 3,349,583 | $ 9,043,058 |

Direct Borrowings and Direct Placements (Amounts in Thousands)

| | Revenue Bonds | Notes Payable | Certificates of Participation | Total |
|---|---|---|---|---|
| Governmental Activities | $ - | $ 21,075 | $ 117,420 | $ 138,495 |
| Business Type Activities | 252,310 | 62,932 | 34,080 | $ 349,322 |
| Total | $ 252,310 | $ 84,007 | $ 151,500 | $ 487,817 |

Assets pledged as collateral for debt across state departments and institutions of higher education include the following:

- The Colorado Bureau of Investigations (CBI) Grand Junction Regional Office and Forensic Laboratory (related to direct borrowing/direct placement for governmental activities);

- The CBI Pueblo Regional Office and Forensic Laboratory (related to direct borrowing/direct placement for governmental activities);

- The Colorado Department of Transportation (CDOT) Headquarters (related to non-direct borrowing/non-direct placement for governmental activities) and Regional Office Buildings (related to both non-direct borrowing/non-direct placement and direct borrowing/direct placement for governmental activities);

- The Colorado History Building at 1200 Broadway in Denver (related to related to direct borrowing/direct placement for governmental activities).

Regarding terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences, and (3) subjective acceleration clauses, the following points were noted across state departments and institutions of higher education:

- In each Certificate of Participation (COP), the State has the right to purchase the Leased Property in connection with the defeasance or redemption of all of the Series 201X Certificates, as described in the section of the agreements' State's Purchase Option Price. Upon a nonrenewal of the Lease Term/s by reason of a Lease Event of Default or Lease Event of Nonappropriation, and so long as the State or Sublessee has not exercised its purchase option with respect to all the Leased Property, the State or Sublessee must vacate the Leased Property within 90 days. The Trustee/s may proceed to exercise any remedies available for the benefit of the Owners of the Certificates and may exercise any other remedies available upon default as provided in the Lease, including the sale of or lease of the Trustees' interest under the Site Lease/s (related to direct borrowing/direct placement for governmental activities).

- For Notes Payable, in the event of termination acceleration of payment for debt due (or to be due within that fiscal year) and the relinquishment of the equipment purchased through the energy performance contract measures could occur (related to direct borrowing/direct placement for business-type activities).

- CDOT will take over the payments for the C-470 bonds in the event High Performance Transportation Enterprise (HPTE) is unable to pay (related to non-direct borrowing/non-direct placement for business-type activities). Additionally, for Notes Payable, CDOT would take over debt service payments if HPTE was in default (related to direct borrowing/direct placement for business-type activities).

**Derivative Instruments**

Colorado School of Mines: In Fiscal Year 2008, the University entered into a floating to fixed interest rate swap agreement (Swap Agreement) in connection with the 2008A issuance. The Swap Agreement was entered into with the objective of protecting against the potential of rising interest rates. The 2008A issuance was refunded with the Series 2010A issuance. The Series 2010A was refunded with the issuance of the Series 2018A Refunding Bonds. The Swap Agreement was not terminated and was associated with the Series 2018A issuance. The Swap Agreement has a notional amount of $36,760,000 and $37,335,000 and a fair value of ($12,838,000) and ($9,164,000) at June 30, 2020 and 2019, respectively. The Swap Agreement provides for certain payments to or from Morgan Stanley equal to the difference between the fixed rate of 3.59 percent payable by the University and 67 percent of one month USD-LIBOR-BBA, .166 percent and 1.601 percent at June 30, 2020 and 2019, respectively, payable by Morgan Stanley. The fair value of the swap is classified as a noncurrent liability and the change in fair value of the swap is classified as a deferred outflow at June 30, 2020 and 2019. On the date of the refunding of the Series 2010A Bonds, the fair market value of the swap was ($6,999,000) and was included in the calculation of deferred loss on refunding and is being amortized over the life of the Series 2018A Refunding Bonds. Accumulated amortization of the deferred loss as of June 30, 2020 and 2019 was $2,395,000 and $1,853,000, respectively. Morgan Stanley, counterparty to the Swap Agreement, determined the fair value as of June 30, 2020 and 2019, using a discounted forecasted cash flows; however, the actual method and significant assumptions used are proprietary. The Swap Agreement has an effective date of March 5, 2008 and a termination date of December 1, 2038.

There can be risks inherent to interest rate swaps that the University addresses and monitors pursuant to entering into interest rate swap agreements:

- Termination Risk – The need to terminate the transaction in a market that dictates a termination payment by the University. It is possible that a termination payment is required in the event of termination of a swap agreement due to a counterparty default or following a decrease in credit rating. In general, exercising the right to optionally terminate an agreement should produce a benefit to the University, either through receipt of a payment from a termination, or if a termination payment is made by the University, a conversion to a more beneficial debt instrument or credit relationship.
- Credit Risk – The risk that the counterparty will not fulfill its obligations. The University considers the Swap Agreement counterparty's (Morgan Stanley) credit quality rating and whether the counterparty can withstand continuing credit market turmoil. As of June 30, 2020, Morgan Stanley's credit rating is A3 by Moody's, BBB+ by Standards & Poor's.

  For the outstanding Swap Agreement the University has a maximum possible loss equivalent to the swaps' fair value at June 30, 2020 and 2019 related to the credit risk. However, the University was not exposed to this loss because of the negative fair value of the swaps as of June 30, 2020 and 2019. In addition, these agreements required no collateral and no initial net cash receipt or payment by the University.
- 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 from the University. Basis risk can also result from the use of floating, but different, indices. To mitigate basis risk, it is the University's policy that any index used as part of an interest rate swap agreement shall be a recognized market index, including, but not limited to, the Securities Industry and Financial Markets Association (SIFMA) or the London Interbank Offered Rate (LIBOR).

Colorado State University: On January 16, 2018, the System entered into a floating to fixed interest rate swap agreement (2015 D Swap Agreement) in connection with the Series 2015 D System Enterprise Revenue Bonds (Notes from Direct Placements). The 2015 D Swap Agreement was entered into with the objective of protecting against the potential rising of interest rates. The 2015 D Swap Agreement had a notional value of $66.7 million and a negative fair value of $14.9 million as of June 30, 2020. The fair value of the 2015 D Swap Agreement was recorded as a noncurrent liability and a deferred outflow of resources as of fiscal year ended June 30, 2020. The 2015 D Swap Agreement had a notional value of $66.7 million and a negative fair value of $5.0 million as of June 28, 2019. The fair value of the 2015 D Swap Agreement was recorded as a noncurrent liability and a deferred outflow of resources as of fiscal year ended June 30, 2019. The 2015 D Swap Agreement has an effective date of July 1, 2019 and a termination date of March 1, 2047.

The 2015 D Swap Agreement provides for certain payments by The Royal Bank of Canada (RBC) equal to the difference between the fixed rate of 1.91390 percent payable by the System and 70 percent of one-month UDS-LIBOR-BBA, payable by RBC. RBC, counterparty to the 2015 D Swap Agreement, determined the fair value as of June 30, 2020 using a discounted forecasted cash flow.

On February 18, 2020, the System entered into a floating to fixed interest rate swap agreement (2015 A Swap Agreement) in connection with the Series 2015 A System Enterprise Revenue Bonds. The 2015 A Swap Agreement was entered into with the objective of protecting against the potential rising of interest rates. The 2015 A Swap Agreement had a notional value of $108.7 million and a negative fair value of $7.7 million as of June 30, 2020. The fair value of the 2015 A Swap Agreement was recorded as a noncurrent liability and a deferred outflow of resources as of fiscal year ended June 30, 2020. The 2015 A Swap Agreement has an effective date of March 1, 2025 and a termination date of March 1, 2055.

The 2015 A Swap Agreement provides for certain payments by The Royal Bank of Canada (RBC) equal to the difference between the fixed rate of 1.74250 percent payable by the System and 70 percent of one-month UDS-LIBOR-BBA, payable by RBC. RBC, counterparty to the 2015 A Swap Agreement, determined the fair value as of June 30, 2020 using a discounted forecasted cash flow.

There can be risks inherent to interest rate swaps that the System addressed and monitors pursuant to entering into interest rate Swap Agreements:

- Termination Risk – Termination Risk is the need to terminate the transaction in a market that dictates a termination payment by the System. It is possible that a termination payment is required in the event of termination of a Swap Agreement due to a counterparty default. In general, exercising the right to optionally terminate an agreement should produce a benefit to the System, either through receipt of a payment from a termination, or if a termination payment is made by the System, a conversion to a more beneficial debt instrument or credit relationship.
- Credit Risk – Credit Risk is the risk that the counterparty will not fulfill its obligations. The System considers the Swap Agreement counterparty's (RBC) credit quality rating and whether the counterparty can withstand continuing credit market turmoil. As of June 30, 2020, RBC's credit rating is rated Aa2 by Moody's, AA- by S&P, and AA+ by Fitch.

  The Swap Agreement contract contains a credit support annex that allows for collateral to be posted if the market value threshold exceeds $25.0 million at both parties' current credit rating or $10.0 million if the parties credit rating falls to A3/A-.
- Basis Index Risk – Basis Index 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 from the System. Basis Index Risk can also result from the use of floating, but different, indices.

Metropolitan State University: On September 30, 2020 MSU Denver executed a Novation agreement which transferred the HLC@Metro Inc's floating to fixed interest rate swap agreement (Swap Agreement) with Royal Bank of Canada (RBC) to the University. This was a part of the University's acquisition of most of the HLC's assets and liabilities discussed more in note 20. Because it was the intent of University management to attach the interest rate swap with the Series 2020 bonds that were issued on April 17, 2020 and all other intended assets and liabilities were transferred in fiscal year 2020, the University is reflecting the interest rate swap on the fiscal 2020 financial statements. The Swap Agreement was entered with the objective of protecting against the potential increase of interest rates. The Swap Agreement had a notional value of $48.7 million and a negative fair value of $11.5 million as of June 30, 2020. The fair value of the Swap Agreement was recorded as a noncurrent liability and a deferred outflow of resources as of fiscal year ended June 30, 2020. The Swap Agreement has an effective date of September 1, 2020 and a termination date of July 1, 2042.

Pursuant to the interest rate swap, the University will pay RBC a fixed rate of 2.451% per annum. RBC will pay the University 80% of USD-LIBOR-BBA. In addition, the University will pay JPMorgan, as owner of the Series 2020 Bonds, 80% of LIBOR (with a 1% floor) plus 150 basis points. This arrangement will produce an interest rate on the Series 2020 Bonds equal to approximately 4.612% and helps ensure the University can leverage a low interest rate in an otherwise unpredictable market. RBC, counterparty to the Swap Agreement, determined the fair value as of June 30, 2020 using an indicative mid-market valuation.

There can be risks inherent to interest rate swaps that the University addressed and monitors pursuant to entering into interest rate Swap Agreements:

- Termination Risk – Termination Risk is the need to terminate the transaction in a market that dictates a termination payment by the University. It is possible that a termination payment is required in the event of termination of a Swap Agreement due to a counterparty default. In general, exercising the right to optionally terminate an agreement should produce a benefit to the University, either through receipt of a payment from a termination, or if a termination payment is made by the University, a conversion to a more beneficial debt instrument or credit relationship.
- Credit Risk – Credit Risk is the risk that the counterparty will not fulfill its obligations. MSU Denver considers the Swap Agreement counterparty's (RBC) credit quality rating and whether the counterparty can withstand continuing credit market turmoil. As of June 30, 2020, RBC's credit rating is rated Aa2 by Moody's and AA- by S&P. The Swap Agreement contract contains a credit support annex that allows for collateral to be posted if the market value threshold exceeds $5.0 million and the credit rating is equal to A3 as rated by Moody's or A- as rated by S&P, or if threshold is zero but the credit ratings are Baa1 as rated by Moody's or BBB+ as rated by S&P.
- Basis Index Risk – Basis Index 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 from the University. Basis Index Risk can also result from the use of floating, but different, indices.

## NOTE 12 – CHANGES IN LONG-TERM LIABILITIES

### Primary Government

The following table summarizes the changes in long-term liabilities for Fiscal Year 2020:

(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 | $ 9,556 | $ 79 | $ (8,231) | $ 1,404 | $ 806 |
| Accrued Compensated Absences | 180,777 | 46,264 | (13,865) | 213,176 | 15,719 |
| Claims and Judgments Payable | 210,488 | - | (12,071) | 198,417 | 46,660 |
| Capital Lease Obligations | 123,600 | 20,962 | (24,740) | 119,822 | 27,212 |
| Certificates of Participation from Direct Borrowings and Direct Placements | 97,451 | - | 225,373 | 322,824 | 3,735 |
| Certificates of Participation from Non-Direct Borrowings and Non-Direct Placements | 2,055,104 | 802,647 | (276,987) | 2,580,764 | 64,560 |
| Notes, Anticipation Warrants, Mortgages from Direct Borrowings and Direct Placements | 6,805 | - | (2,220) | 4,585 | 2,270 |
| Net Pension Liability | 9,377,357 | - | (1,572,566) | 7,804,791 | - |
| Other Postemployment Benefits | 284,264 | - | (51,084) | 233,180 | - |
| Other Long-Term Liabilities | 267,983 | 8,596 | (47,445) | 229,134 | - |
| Total Governmental Activities Long-Term Liabilities | 12,613,385 | 878,548 | (1,783,836) | 11,708,097 | 160,962 |
| Business-Type Activities | | | | | |
| Deposits Held In Custody For Others | 48,946 | - | (2,121) | 46,825 | 46,800 |
| Accrued Compensated Absences | 377,692 | 79,937 | (31,260) | 426,369 | 28,747 |
| Claims and Judgments Payable | 43,971 | 8,311 | (5,841) | 46,441 | 1,273 |
| Capital Lease Obligations | 37,402 | 4,307 | (6,064) | 35,645 | 5,832 |
| Derivative Instrument Liabilities | 14,193 | 32,671 | - | 46,864 | - |
| Bonds Payable from Direct Borrowings and Direct Placements | 220,589 | 59,045 | (57,250) | 222,384 | 8,149 |
| Bonds Payable from Non-Direct Borrowings and Non-Direct Placements | 4,231,974 | 739,315 | (556,485) | 4,414,804 | 136,517 |
| Certificates of Participation from Direct Borrowings and Direct Placements | 20,842 | - | (2,471) | 18,371 | 575 |
| Certificates of Participation from Non-Direct Borrowings and Non-Direct Placements | 412,179 | - | (37,302) | 374,877 | 33,025 |
| Notes, Anticipation Warrants, Mortgages from Direct Borrowings and Direct Placements | 57,471 | 41 | (1,286) | 56,226 | 1,111 |
| Notes, Anticipation Warrants, Mortgages from Non-Direct Borrowings and Non-Direct Placements | 10,514 | - | (369) | 10,145 | 388 |
| Net Pension Liability | 4,237,019 | - | (666,372) | 3,570,647 | - |
| Other Postemployment Benefits | 1,015,792 | - | (179,933) | 835,859 | - |
| Other Long-Term Liabilities | 112,280 | 16,055 | (23,735) | 104,600 | - |
| Total Business-Type Activities Long-Term Liabilities | 10,840,864 | 939,682 | (1,570,489) | 10,210,057 | 262,417 |
| Fiduciary Activities | | | | | |
| Deposits Held In Custody For Others | 1,371,617 | 1,853,855 | (1,362,222) | 1,863,250 | 1,852,639 |
| Accrued Compensated Absences | 46 | 107 | (14) | 139 | - |
| Claims and Judgments Payable | 21,004 | 22,986 | (21,004) | 22,986 | 22,986 |
| Other Long-Term Liabilities | 614 | 32 | (614) | 32 | - |
| Total Fiduciary Activities Long-Term Liabilities | 1,393,281 | 1,876,980 | (1,383,854) | 1,886,407 | 1,875,625 |
| Total Primary Government Long-Term Liabilities | $ 24,847,530 | $ 3,695,210 | $ (4,738,179) | $ 23,804,561 | $ 2,299,004 |

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

The amounts shown in the schedule above for the changes in Net Pension Liability are netted as increases for the governmental and business type activities because that information is not readily available. See Note 6 for additional pension information.

The amounts shown in the schedule above for Notes, Bonds, and Certificates of Participation do not include short-term borrowing disclosed in Note 10. A current portion is not normally identifiable for Claims and Judgments Payable, Derivative Instrument Liabilities, Other Post-Employment Benefits in business-type activities and Other Long-Term Liabilities in both governmental activities and business type activities.

Long-term liabilities that are actuarially determined include amounts for claims that are incurred but not yet reported. Since these liabilities are not based on individually identifiable claims, it is not practicable to report gross additions and reductions. (See Notes 7 and 9 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*.

## NOTE 13 – DEFEASED DEBT AND POLLUTION REMEDIATION OBLIGATIONS

### DEFEASED DEBT

Debt is defeased by depositing in escrow accounts an amount sufficient, together with known minimum investment yields, to pay principal, interest, and any redemption premium on the debt to be defeased. During Fiscal Year 2020, debt was defeased in both governmental and business-type activities.

At June 30, 2020, 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 Treasury | $ 604,710 |
| Business-Type Activities: | |
| University of Colorado | 1,026,180 |
| Colorado State University | 421,885 |
| Colorado School of Mines | 34,000 |
| Colorado Mesa University | 10,000 |
| Colorado Community College System | 42,290 |
| Department of Transportation | 41,519 |
| Total | $ 2,180,584 |

The Department of Treasury issued $230,530,000 of its State of Colorado Building Excellent Schools Today Certificates of Participation, Series 2019P and 2019Q to partially defease its State of Colorado Building Excellent Schools Today Certificates of Participation, Series 2012H and 2013I. The defeased debt had an interest rate of 3.95 percent, and the new debt had an interest rate of 2.35 percent. The remaining term of the debt was 16.2 years and the estimated debt service cash flows decreased by $26,725,939. The defeasance resulted in an economic gain of $22,789,732 and book loss of $12,378,652 that will be amortized as an adjustment of interest expense over the remaining 16.2 years of the new debt.

The Board of Regents of the University of Colorado issued $147,980,000 of its Enterprise Revenue Refunding Bonds, Series 2019A-1 to partially defease its Enterprise Revenue Refunding Bonds, Series 2010B, Series 2011A, Series 2012A-1, Series 2012A-2, Series 2012A-3, and Series 2013B. The defeased debt had an interest rate of 4.87 percent, and the new debt had an interest rate of 2.75 percent. The remaining term of the debt was 23 years and the estimated debt service cash flows decreased by $17,034,461. The defeasance resulted in an economic gain of $13,631,695 and book loss of $6,980,625 that will be amortized as an adjustment of interest expense over the remaining 27 years of the new debt.

The Board of Regents of the University of Colorado issued $101,885,000 of its Enterprise Revenue Refunding Bonds, Series 2019A-2 to partially defease its Enterprise Revenue Refunding Bonds, Series 2009C, Series 2010B, Series 2011A, Series 2012A-1, Series 2012A-3, Series 2014B-1, Series 2015A, Series 2015B, and Series 2016A. The defeased debt had an interest rate of 4.86 percent, and the new debt had an interest rate of 2.44 percent. The remaining term of the debt was 27 years and the estimated debt service cash flows decreased by $10,263,193. The defeasance resulted in an economic gain of $7,555,552 and book loss of $5,987,320 that will be amortized as an adjustment of interest expense over the remaining 27 years of the new debt.

The Board of Governors of Colorado State University issued $73,775,000 of its System Enterprise Revenue Refunding Bonds Taxable, Series 2019B to partially defease its System Enterprise Revenue Bonds Series 2012A, Series 2015E-1, and Series 2015E-2, and System Enterprise Revenue Refunding Bonds Series 2015-C and 2017-C. The defeased debt had an interest rate of 4.86 percent, and the new debt had an interest rate of 2.88 percent. The remaining term of the debt was 23 years and the estimated debt service cash flows decreased by $5,463,328. The defeasance resulted in an economic gain of $4,186,622 and book loss of $4,661,511 that will be amortized as an adjustment of interest expense over the remaining 23 years of the new debt.

The State Board of the Colorado Community College System issued $25,150,000 of its Systemwide Revenue Refunding Bonds, Series 2019A to partially defease its Taxable Systemwide Revenue Bonds, Series 2010D. The defeased debt had an interest rate of 3.77-5.00 percent, and the new debt had an interest rate of 3.00-5.00 percent. The remaining term of the debt was 20 years and the estimated debt service cash flows did not change. The defeasance resulted in an economic gain of $ 3,534,564 and book loss of $ 1,093,144 that will be amortized as an adjustment of interest expense over the remaining 20 years of the new debt.

The Board of Trustees of the University of Northern Colorado issued $32,855,000 of its Institutional Enterprise Revenue Refunding Bonds to partially defease its Institutional Enterprise Revenue Refunding Bonds, Series 2011A. The defeased debt had an interest rate of 4.82 percent, and the new debt had an interest rate of 2.48 percent. The remaining debt was defeased and the estimated debt service cash flows decreased by $3,233,811. The defeasance resulted in an economic gain of $2,822,220 and book loss of $1,094,916 that will be amortized as an adjustment of interest expense over the remaining 12 years of the new debt.

The Board of Trustees of Colorado Mesa University issued $11,250,000 of its Enterprise Revenue Refunding Bonds, Series 2020A to partially defease its Enterprise Revenue Refunding Bonds, Series 2012A and Series 2012B. The defeased debt had an interest rate of 3.27-3.60 percent, and the new debt had an interest rate of 2.56 percent. The remaining term of the debt was 14 years and the estimated debt service cash flows decreased by $122,678. The defeasance resulted in an economic gain of $1,029,542 and book loss of $1,021,740 that will be amortized as an adjustment of interest expense over the remaining 14 years of the new debt.

The Colorado Bridge Enterprise issued $38,740,000 of its Series 2019A Bonds to partially defease its Series 2010A Bonds. The defeased debt had an interest rate of 6.08 percent, and the new debt had an interest rate of 4.00 percent. The remaining term of the debt was 7.5 years and the estimated debt service cash flows decreased by $10,368,958. The defeasance resulted in an economic gain of $4,193,239 and book loss of $1,939,666 that will be amortized as an adjustment of interest expense over the remaining 7.5 years of the new debt.

**POLLUTION REMEDIATION OBLIGATIONS**

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

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, 2020 was $220.9 million ($3.7 million of which was a current liability). Individually significant pollution remediation obligations are disclosed below:

- DPHE recorded a liability for remediation activities in the Clear Creek Basin of approximately $107.1 million related to a number of inactive precious metal mines that caused contamination in surface water and soil in the basin. The liability includes remediation and site clean-up activities, projected post-remediation operating and monitoring costs, the State operation of an existing water treatment plant, and operation of a water treatment plant. Current operating and maintenance costs are estimated at $1.5 million beginning in 2021, increasing to approximately $3.3 million in 2028, with a projected annual increase of 2 percent thereafter. Beginning in 2018, the department shares the remaining costs to complete the remediation projects with the EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA for 10 years, ending in 2028. After this time, the State assumes 100 percent of the operating and maintenance 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 Summitville Mine of approximately $88.1 million related to the operation of a water treatment plant. The mine is located in the San Juan Mountains, surrounded by the Rio Grande National Forest. The operating and maintenance costs of the treatment plant are to be shared with the EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA through Fiscal Year 2021. Beginning in Fiscal Year 2022, the State will assume 100 percent of the operating costs of the treatment plant, with a projected total cost of approximately $2.0 million per year, with a projected annual increase of 2 percent thereafter. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact operating costs. As of June 30, 2020, the State has $3.1 million in recoveries funded from other responsible parties.

- DPHE recorded a liability for remediation activities at the Captain Jack Mill located at the headwaters of the Left Hand Creek Watershed in the mountains west of Boulder of approximately $9.3 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, which includes construction of a capping mine waste tunnel plug. Construction cost estimates of approximately $90,000 in Fiscal Year 2021, approximately $50,000 in Fiscal Year 2022, and approximately $200,000 in Fiscal Year 2023 for the project's completion. Beginning in 2023, the State's share of operation and monitoring costs will be 10 percent and will continue through 2033. Annual ongoing projected costs for subsurface remedy average $55K per year until 2034 when the State assumes 100% share of O&M and projected costs increase to $400K per year. Construction cost estimates were based upon an engineering study and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

- The Nelson Tunnel is a former mining site outside of Creede, CO, which has a large waste pile. Runoff from this pile adversely affects the Rio Grande River via Willow Creek. While a portion of the project is reasonably estimable, the State cannot estimate a majority of the project costs. The water treatment component of the project has historically been included as a presumptive remedy. However, no decision document has been executed that would require water treatment. Although the State believes there will be associated water treatment costs in the future, these costs won't be included in the projection until there is an idea of what the remedy and long-term operating/maintenance costs are. Any long-term remedies are dependent on the initial assessment and monitoring procedures. Additionally, once a long-term remedy is identified, the Department will negotiate with the EPA to determine which entity is responsible for what share of the costs (typically 90% federal, 10% state).

## NOTE 14 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows of resources represent a consumption of assets by the entity that is applicable to a future reporting period, and deferred inflows of resources represent an acquisition of assets by the entity that is applicable to a future reporting period. The table below provides information about amounts reported as deferred outflows/inflows on the *Statement of Net Position* as of June 30, 2020.

(Amounts in Thousands)

| | Governmental Activities | Business-Type Activities |
|---|---|---|
| **Deferred Outflows of Resources:** | | |
| Asset Retirement Obligations | $ - | $ 955 |
| Refunding Losses | 26,762 | 160,511 |
| Derivatives | - | 39,926 |
| Other | 3,026 | 41 |
| Other Post Employment Benefits | 19,760 | 59,408 |
| Pensions | 2,299,118 | 273,280 |
| | 2,348,666 | 534,121 |
| **Deferred Inflows of Resources:** | | |
| Refunding Gains | - | 747 |
| Nonexchange Transactions | - | 2 |
| Other | 17,390 | 1,684 |
| Unavailable Revenue | 795 | - |
| Service Concession Arrangements | - | 130,739 |
| Other Post Employment Benefits | 49,592 | 304,124 |
| Pensions | 3,636,607 | 1,481,111 |
| | $ 3,704,384 | $ 1,918,407 |

**NOTE 15 – NET POSITION AND FUND BALANCE**

**PRIOR PERIOD ADJUSTMENTS AND ACCOUNTING CHANGES TO NET POSITION**

**A. PRIOR PERIOD ADJUSTMENTS**

Beginning net position was restated from the following prior period adjustments:

Department of Natural Resources (Parks and Wildlife): Correct prior year depreciation.
Department of Public Health and Environment: Correct federal revenues.
Department of Health Care Policy and Financing: Correct software capitalization.
History Colorado: Correction of completion dates and depreciation on the History Colorado Center.

| *(Amounts in Thousands)* | Statement of Net Position | Governmental Funds | Proprietary Funds |
|---|---|---|---|
| Department | Other Measurement Focus Adjustments | General Fund | Health Care Affordability |
| Department of Natural Resources | 9,301 | | |
| Department of Public Health and Environment | | (8,195) | |
| Department of Health Care Policy and Financing | 16,045 | | 11,209 |
| History Colorado | 2,544 | | |
| | $ 27,890 | $ (8,195) | $ 11,209 |

**B. ACCOUNTING CHANGES**

During Fiscal Year 2020, the Auraria Higher Education Center adopted GASB Statement No. 84, *Fiduciary Activities*. The core objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported for all state and local governments. The adoption of Statement No. 84 increased the Higher Education Institution's Fund beginning net position by $2.4 million for Fiscal Year 2020 from $82.5 million to $84.9 million.

The State reevaluated thresholds used to determine when it reports component units for which the State is financially accountable. As a result, the Statewide Internet Portal Authority is included in this report. Beginning net position was increased $6.2 million.

## FUND BALANCE

On the *Balance Sheet – Governmental Funds,* the fund balance is comprised of the following (refer to Note 1 for additional information):

(Amounts in Thousands)

| | Restricted Purposes | Committed Purposes | Assigned Purposes |
|---|---|---|---|
| GENERAL FUND | | | |
| General Government | $ 399,148 | $ 432,921 | $ 35,241 |
| Business, Community and Consumer Affairs | - | 92,070 | - |
| Education | 424,380 | 22,652 | - |
| Health and Rehabilitation | - | 4,234 | - |
| Justice | - | 6,237 | - |
| Natural Resources | - | 405 | - |
| Social Assistance | - | 59,654 | - |
| Transportation | - | - | - |
| TOTAL | $ 823,528 | $ 618,173 | $ 35,241 |
| | | | |
| FEDERAL SPECIAL REVENUE | 21,350 | - | - |
| TOTAL | $ 21,350 | $ - | $ - |
| | | | |
| Highway Users Tax | | | |
| General Government | $ 80,857 | $ 36,979 | $ - |
| Health and Rehabilitation | 300 | - | - |
| Justice | 2,238 | 703 | - |
| Natural Resources | 466 | - | - |
| Transportation | 817,101 | 13,731 | - |
| TOTAL | $ 900,962 | $ 51,413 | $ - |
| | | | |
| OTHER GOVERNMENTAL FUNDS | | | |
| General Government | $ 264,702 | $ 1,869,271 | $ - |
| Business, Community and Consumer Affairs | 81,306 | 489,991 | - |
| Education | 174,737 | 79,351 | - |
| Health and Rehabilitation | 16,410 | 84,845 | - |
| Justice | 5 | 187,770 | - |
| Natural Resources | 20,744 | 1,109,577 | - |
| Social Assistance | 581 | 64,602 | - |
| Transportation | - | 106,709 | - |
| TOTAL | $ 558,485 | $ 3,992,116 | $ - |

## STABILIZATION ARRANGEMENTS

In accordance with Section 24-75-201.1(1)(d) C.R.S., the State maintains a General Purpose Revenue Fund statutory reserve for purposes of budget stabilization. For Fiscal Year 2020, the reserve is calculated as three and seven hundredths percent of General Purpose Revenue Fund appropriations less exceptions pursuant to Section 24-75-201.1(2) C.R.S. Section 24-75-201.5(1)(a) C.R.S. further requires the Governor to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. In conjunction with the Governor's actions to reduce expenditures, the legislature has traditionally taken action to use the reserve. Historically, the statutory reserve has only been expended during recessionary periods when other budget measures have been exhausted. In Fiscal Year 2020 there was no use of the reserve for fiscal year 2020. As of June 30, 2020, on a legal budgetary basis the reserve was $361.3 million. Refer to Note 1 and to Note RSI-4 for additional information.

Article XXIV Section 1 of the State Constitution created the Old Age Pension Stabilization Fund, which is reported as a component of the General Fund – Special Purpose Funds. The fund is maintained at $5.0 million and is only accessible through appropriation for old age pension basic minimum awards. Historically, the reserves in the fund have not been accessed.

**MINIMUM FUND BALANCE POLICIES**

The appropriations process and statutory structure that governs State fiscal matters generally does not provide for the ability to set aside fund balances outside of those processes. However, in limited circumstances, boards and committees have fiscal policy and/or rulemaking authority. No minimum fund balances were established under this type of authority for Fiscal Year 2020.

**NET POSITION DEFICITS**

The following table shows deficit net position balances for individual nonmajor funds. See Note 2 for information regarding statutory spending violations and overexpenditures.

| | (In Thousands) | |
|---|---|---|
| | **Enterprise Funds** | **Internal Service Funds** |
| State Lottery | $ (25,205) | $ - |
| Correctional Industries | (30,893) | - |
| State Nursing Homes | (55,331) | - |
| Petroleum storage Tank | (7,153) | - |
| Unemployment Insurance | (1,531) | - |
| Central Services | - | (10,326) |
| Information Technology | - | (280,309) |
| Capitol Complex | - | (8,587) |
| Highways | - | (2,164) |
| Administrative Courts | - | (14,152) |
| Legal Services | - | (87,382) |
| Other Internal Service Funds | - | (4,413) |
| | *$ (120,113)* | *$ (407,333)* |

## NOTE 16 – INTERFUND TRANSACTIONS

## INTERFUND BALANCES

Interfund balances at June 30, 2020, consisted of the following:

| (DOLLARS IN THOUSANDS) | DUE FROM General | Federal Special Revenue | Highway Users Tax Fund | Other Governmental Funds | Higher Education Institutions | Healthcare Affordability |
|---|---|---|---|---|---|---|
| **DUE TO** | | | | | | |
| General | $ - | $ 4,129 | $ 18 | $ 31,501 | $ 702 | $ 16,903 |
| Highway Users Tax Fund | - | - | - | 699 | - | - |
| Other Governmental Funds | 330,630 | 2,523 | - | 207 | 6 | 139,532 |
| Higher Education Institutions | 11,940 | - | 100 | 3,061 | - | - |
| Other Enterprises | 2,728 | - | 33 | - | 126 | - |
| Internal Service Funds | 93 | - | 153 | 3 | 14 | - |
| Pension and Other Employee Benefit Trust | 24 | - | - | 10 | 1,823 | - |
| Private Purpose Trust | - | - | - | - | - | - |
| Agency | - | - | - | - | - | - |
| Total | $ 345,415 | $ 6,652 | $ 304 | $ 35,481 | $ 2,671 | $ 156,435 |

| (DOLLARS IN THOUSANDS) | DUE FROM Other Enterprises | Internal Service Funds | Pension and Other Employee Benefit Trust | Private Purpose Trust | Agency | Total |
|---|---|---|---|---|---|---|
| **DUE TO** | | | | | | |
| General | $ 16,307 | $ 494 | $ 3 | $ - | $ - | $ 70,057 |
| Highway Users Tax Fund | - | - | - | - | - | 699 |
| Other Governmental Funds | 24,042 | 70 | - | - | 134 | 497,144 |
| Higher Education Institutions | 294 | - | 1 | - | - | 15,396 |
| Other Enterprises | 3,865 | - | - | 317 | - | 7,069 |
| Internal Service Funds | - | - | - | - | - | 263 |
| Pension and Other Employee Benefit Trust | 1 | 2 | - | - | - | 1,860 |
| Private Purpose Trust | 12,022 | - | - | - | - | 12,022 |
| Agency | 18,476 | - | - | - | - | 18,476 |
| Total | $ 75,007 | $ 566 | $ 4 | $ 317 | $ 134 | $ 622,986 |

Interfund balances represent amounts owed between funds at the end of the fiscal year. They occur when there are timing differences between when transactions are recognized and when the related cash payments are made. They also occur when loans are made between funds.

As part of the State's response to the COVID-19 emergency, the Governor extended the 2019 income tax payment deadline to July 15, 2020. This delay in income tax receipts caused temporary deficit cash balances in some funds. To address this timing issue, the State made temporary loans between funds. On June 30, 2020, these temporary loans account for $322.7 million of the $330.6 million reported as due from the General Fund to Other Governmental Funds and full amount of $139.5 million reported as due from the Healthcare Affordability to Other Governmental Funds.

The balance of $31.5 million due from Other Governmental Funds to the General Fund consists primarily of $25.5 million due from the Gaming Fund.

Other Governmental Funds report an internal receivable of $24.0 million from Other Enterprises. Most of this balance, $16.9 million, reflects outstanding loans payable from the Parks and Wildlife Fund to the Resource Extraction Fund; $16.2 million of these loans are not expected to be repaid within one year.

Other Enterprises owed Agency Funds $18.5 million. This is the amount of fourth quarter State Lottery Fund revenues owed to the Great Outdoors Colorado Agency Fund, which is managed by the Department of Treasury.

The Healthcare Affordability Fund had a payable to the General Fund of $16.9 million. This amount represents Medicaid payments to providers in Fiscal Year 2020 for which the State was reimbursed in Fiscal Year 2021 due to the timing of the receipt of federal monies into the Healthcare Affordability Fund.

The $16.3 million due to the General Fund from Other Enterprises primarily consists of the amounts owed from the Lottery Fund to the Conservation Trust Fund, which is reported in the Other Special Purpose component of the General Fund.

The $12.0 million due from Other Enterprise Funds to Private Purpose Trust Funds represents the amount owed from the CollegeInvest Administration Fund to the College Savings Plan Fund.

A majority of the $11.9 million owed from the General Fund to Institutions of Higher Education, $6.7 million, was due from the Department of Higher Education for various purposes.

**INTERFUND TRANSFERS**

Interfund transfers for Fiscal Year 2020, consisted of the following:

| (DOLLARS IN THOUSANDS) | TRANSFER FROM<br>General | Federal Special Revenue | Highway Users Tax Fund | Other Governmental Funds | Higher Education Institutions | Healthcare Affordability |
|---|---|---|---|---|---|---|
| **TRANSFER TO** | | | | | | |
| General | $ - | $ 3 | $ 24,017 | $ 435,352 | $ 6,336 | $ 16,453 |
| Highway Users Tax Fund | 283,595 | - | - | 175,535 | - | - |
| Other Governmental Funds | 549,814 | - | 41,281 | 85,817 | - | - |
| Higher Education Institutions | 312,966 | - | - | 167,985 | - | - |
| Transportation Enterprise | 40 | - | - | - | - | - |
| Unemployment Insurance | 56 | - | - | - | - | - |
| Other Enterprises | 5,381 | - | - | 5,797 | - | - |
| Internal Service Funds | 48 | - | - | 4,966 | - | - |
| Pension and Other Employee Benefit Trust | - | - | - | 1,576 | - | - |
| Private Purpose Trust | 1 | - | - | - | - | - |
| Total | $ 1,151,901 | $ 3 | $ 65,298 | $ 877,028 | $ 6,336 | $ 16,453 |

| (DOLLARS IN THOUSANDS) | TRANSFER FROM<br>Unemployment Insurance | Other Enterprises | Internal Service Funds | Pension and Other Employee Benefit Trust | Private Purpose Trust | Total |
|---|---|---|---|---|---|---|
| **TRANSFER TO** | | | | | | |
| General | $ 2,755 | $ 74,025 | $ 6,916 | $ 205 | $ 35 | $ 566,097 |
| Highway Users Tax Fund | - | - | - | - | - | 459,130 |
| Other Governmental Funds | - | 21 | 81 | - | - | 677,014 |
| Higher Education Institutions | - | - | - | - | - | 480,951 |
| Transportation Enterprise | - | - | - | - | - | 40 |
| Unemployment Insurance | - | - | - | - | - | 56 |
| Other Enterprises | - | 14,244 | - | - | - | 25,422 |
| Internal Service Funds | - | - | 366 | - | - | 5,380 |
| Pension and Other Employee Benefit Trust | - | - | - | - | - | 1,576 |
| Private Purpose Trust | - | - | - | - | - | 1 |
| Total | $ 2,755 | $ 88,290 | $ 7,363 | $ 205 | $ 35 | $ 2,215,667 |

As a normal order of business, the General Assembly appropriates a large number of transfers between funds to allocate the State's resources to support programs across the State government.

The $549.8 million transferred from the General Fund to Other Governmental Funds includes $181.7 million to the Capital Projects Fund. Also, as directed by SB 17-267, $146.2 million of Marijuana Sales Tax Revenues were transferred to the Marijuana Tax Cash Fund, which is reported in Other Special Revenue Funds.

Transfers from Other Governmental Funds to the General Fund totaled $435.4 million. This includes transfers into the Public School Capital Construction Assistance Fund, an Other Special Purpose component of the General Fund, of $89.8 million from the Retail Marijuana Excise Tax Fund, an Other Special Revenue Fund, and $78.5 million from the State Lands Fund.

General Fund transfers to Higher Education Institutions totaled $313.0 million. The majority of these transfers, $173.0 million, were for student financial aid.

$283.6 million was transferred from the General Fund to the Highway Users Tax Fund to fund state and local transportation needs.

There were $175.5 million of transfers from Other Governmental Funds to the Highway Users Tax Fund. This primarily consist of $173.2 million transferred from the Capital Projects.

$168.0 million is reported as transfers from Other Governmental Funds to Higher Education Institutions. The largest of these transfers was a $119.5 million transfer from the Capital Projects Fund.

## NOTE 17 – PLEDGED REVENUE AND DONOR RESTRICTED ENDOWMENTS

### PLEDGED REVENUE

Various institutions of higher education and the Department of Transportation 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 2020, the following pledges were in place:

The Department of Transportation Statewide Bridge Enterprise pledged $112.4 million (gross) 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 2011 and has a final maturity date of Fiscal Year 2046. The pledged revenue represents 100 percent of the revenue stream, and $541.3 million of the pledge commitment remains outstanding.

The Department of Transportation High-Performance Transportation Enterprise (HTPE) C-470 Express Lanes Senior Revenue Bonds, Series 2017 was issued in the amount of $161.0 million for the purpose of paying or reimbursing the cost of designing, engineering, developing and constructing an Express Lanes project on a portion of C-470, widening and replacing adjacent general purpose lanes and rehabilitating or reconstructing related bridges. The future pledged revenue stream of $417.7 million will be used to pay the interest and principal of the 2017 Series issue of these Senior Revenue Bonds. The debt was originally issued in Fiscal Year 2018 and has a final maturity date of Fiscal Year 2057. The pledged revenue represents 100 percent of the revenue stream, and $417.7 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 1999 and furthest maturity date of Fiscal Year 2055. 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 $1.7 billion. Individually significant Higher Education Institution pledges include:

- $1.3 billion (net) pledged by the University of Colorado to secure $135.3 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 issued in Fiscal Year 2007 and has a final maturity date of Fiscal Year 2049. The pledged revenue represents approximately 76.2 percent of the revenue stream, and $2.3 billion of the pledge (principal and interest) remains outstanding.

- $169.5 million (net) pledged by Colorado State University to secure $94.8 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 2010 and has a final maturity date of Fiscal Year 2055. The pledged revenue represents 54.5 percent of the total revenue stream, and $1.8 billion of the pledge (principal and interest) remains outstanding.

- $56.1 million (net) pledged by the Colorado School of Mines to secure $21.1 million of current principal and interest on debt issued to finance or refinance the construction, acquisition, improvement, renovation, and equipment for certain facilities and complete qualified conservation improvement projects. The debt issuances had an earliest origination date of Fiscal Year 1999 and furthest maturity date of Fiscal Year 2048.

The pledged revenue represents approximately 80.0 percent of the revenue stream, and $455.8 million of the pledge (principal and interest) remains outstanding.

- $42.5 million (gross) pledged by Metropolitan State University of Denver to secure $8.4 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 2010 and has a final maturity date of Fiscal Year 2046. The pledged revenue represents 10 percent of the tuition revenue stream and 100 percent of the fee and other revenues revenue stream, and $200.1 million of the pledge (principal and interest) remains outstanding.

- $30.9 million (net) pledged by Colorado Mesa University to secure $13.8 million of current principal and interest on debt issued to construct auxiliary facilities. The related debt was originally issued in Fiscal Year 2010 and has a final maturity date of Fiscal Year 2049. The pledged revenue represents approximately 62.0 percent of the revenue stream and $347.4 million of the pledge (principal and interest) remains outstanding.

- $41.6 million pledged by the University of Northern Colorado to secure $10.5 million of current principal and interest on debt issued to finance refunding of previous debt and for improvements of auxiliary facilities. The debt issuances had an earliest origination date of Fiscal Year 2014 and furthest maturity date of Fiscal Year 2046. The pledged revenue represents 47.4 percent of the net total auxiliary, extended studies, and student fee revenue streams; 100 percent of gross facility & admin cost recoveries; and 10 percent of gross general fund tuition revenue. $202.9 million of the pledge (principal and interest) remains outstanding.

- $10.4 million pledged by the Auraria Higher Education Center to secure $6.3 million of current principal and interest on debt issued to finance construction of Tivoli Student Union park, coffee lounge, and patio and building parking structures. The debt issuances had an earliest origination date of Fiscal Year 2006 and furthest maturity date of Fiscal Year 2034. The pledged revenue represents 54.3 percent of the net and 100 percent of the gross auxiliary revenue stream. $67.7 million of the pledge (principal and interest) remains outstanding.

- $10.6 million (net) pledged by the Western State Colorado University to secure $7.2 million of current principal and interest on debt issued to finance a new student apartment complex and a new sports complex. The debt issuances had an earliest origination date of Fiscal Year 2010 and furthest maturity date of Fiscal Year 2045. The pledged revenue represents 40.7 percent of the revenue stream, and $157.7 million of the pledge (principal and interest) remains outstanding.

- $7.7 million (net) pledged by Adams State University to secure $3.6 million of current principal and interest on debt issued to improve facilities and refund bonds issued in the past. The related debt was originally issued in Fiscal Year 2009 and has a final maturity date of Fiscal Year 2043. The pledged revenue represents approximately 50.0 percent of the revenue stream and $98.1 million of the pledge (principal and interest) remains outstanding.

- $7.8 million (gross) pledged by Front Range Community College to secure $1.6 million of current principal and interest on debt issued to finance capital construction projects. The debt issuances had an earliest origination date of Fiscal Year 2010 and furthest maturity date of Fiscal Year 2048. The pledged revenue represents 10 percent of the tuition revenue stream and 100 percent of the fee and other revenues revenue stream, and $23.2 million of the pledge (principal and interest) remains outstanding.

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

(Amounts In Thousands)

| Agency Name | Gross Revenue | Direct Operating Expense | Available Net Revenue | Debt Service Requirements Principal | Interest | Total |
|---|---|---|---|---|---|---|
| Higher Education Institutions | $ 2,425,323 | $ (673,165) | $ 1,752,158 | $ 186,477 | $ 155,530 | $ 342,007 |
| Statewide Bridge Enterprise | 112,362 | - | 112,362 | - | 17,699 | 17,699 |
| | $ 2,537,685 | $ (673,165) | $ 1,864,520 | $ 186,477 | $ 173,229 | $ 359,706 |

**DONOR RESTRICTED ENDOWMENTS**

The State's donor restricted endowments exist solely in its institutions of higher education. The policies of individual boards govern the spending of net appreciation on investments; there is no State law that governs endowment spending. Donor restricted endowment appreciation reported by the State's institutions of higher education totaled $20.8 million.

The University of Colorado reported net appreciation on endowment investments of $18.1 million that was available for spending. The University reported the related net position in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Position – Proprietary Funds.* The University spends its investment income in accordance with the University of Colorado Foundation's established spending policy.

The Colorado School of Mines reported $2.4 million of net appreciation on endowment investments that was available for spending. The School reported the related net position in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Position – Proprietary Funds*. The School has an authorized spending rate of 4.25% of the rolling 36-month average market value of the endowment investments.

## NOTE 18 – RELATED PARTIES

### RELATED ORGANIZATIONS

The following related organizations, for which the State appoints a voting majority of their governing boards, are not part of the reporting entity based on the criteria of GASB Statement No. 14, as amended by GASB Statements No. 39 and 61:

- Colorado Agricultural Development Authority
- Colorado Beef Council Authority
- Colorado Educational and Cultural Facilities Authority
- Colorado Health Benefit Exchange
- Colorado Health Facilities Authority
- Colorado Housing and Finance Authority
- Colorado New Energy Improvement District
- Colorado Sheep and Wool Authority
- Fire and Police Pension Association
- Pinnacol Assurance
- The State Board of the Great Outdoors Colorado Trust Fund
- Venture Capital 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 and it does not have a financial benefit or burden relationship with them. Detailed financial information may be obtained directly from these organizations.

### RELATED PARTY TRANSACTIONS

The University of Colorado Health (UCHealth), a related party, is a legal entity separate from the University of Colorado. Faculty members of the University's School of Medicine perform a majority of their clinical practice and clinical training at UCHealth. The clinical revenue for these clinical services provided by the University's faculty is collected by University Physicians Inc., d/b/a CU Medicine, a blended component unit of the State. The University enters into contracts with UCHealth to support the University's educational mission. During Fiscal Year 2020, UCHealth paid the University $83.1 million, and the University paid UCHealth $13.1 million. At June 30, 2020, the University had accounts receivable from UCHealth of $4.3 million and $0.1 million of accounts payable to UCHealth.

The University of Colorado Health and Welfare Trust exists to provide healthcare benefits to employees of the Trust's members, which are the University of Colorado, the University of Colorado Hospital Authority, and University Physicians Inc., d/b/a CU Medicine. The Trust provides healthcare benefits on a self-insured basis where risks are transferred to the pool. The University is not financially accountable for the Trust. During Fiscal Year 2020, the Trust paid medical claims on behalf of the University of $242.2 million. The University made contributions of $246.7 million to the Trust and its employees contributed $32.2 million. At June 30, 2020, the University had no accounts receivable and no accounts payable to the Trust.

The State Board of the Great Outdoors Colorado (GOCO) Trust Fund 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 2020, the Board awarded $102.7 million to the Division of Parks and Wildlife at the Department of Natural

Resources. At June 30, 2020, the amount the Division spent on GOCO grants was $49.0 million, and GOCO owed the Department of Natural Resources $17.3 million.

The Colorado Health Benefit Exchange, operating as Connect for Health Colorado, operates the State's health insurance marketplace. During Fiscal Year 2020, the Colorado Health Benefit Exchange received $3.0 million in payments from the State for eligibility determinations and system changes, and the State received $0.6 million from Connect for Health Colorado related to programming and project changes for the Colorado Benefits Management System (CBMS).

The Colorado Beef Council Authority oversees the sale of cattle in Colorado and imported beef and beef products. Statute requires the Brand Board within the Department of Agriculture to collect a fee up to $1 on each head of cattle inspected and remit it to the Colorado Beef Council Authority. In return for collecting and administering the fee, 3 percent is paid back to the Brand Board. During Fiscal Year 2020, the Brand Board paid $3.3 million to the Colorado Beef Council Authority and the Colorado Beef Council Authority paid $0.1 million to the Brand Board.

## NOTE 19 – COMMITMENTS AND CONTINGENCIES

### COMMITMENTS

On August 24, 2017, Keiwit Meridiam Partners (KMP) was selected to be the Central 70 project developer to undertake the $1.2 billion project. On November 22, 2017, Colorado Bridge Enterprise (CBE) and the HPTE Boards approved the Project Agreement and completed the commercial close of the Central 70 project. On December 21, 2017, KMP and CBE completed the financial close of the project that included CBE issuing $120.8 million of Private Activity Bonds (PABs) and closing on a TIFIA loan totaling $416.0 million. Since CBE acted as a conduit issuer for the TIFIA loan and the PABs, CBE has no liabilities to record, and the debt will be repaid by KMP. Construction officially started in the summer of 2018 with completion estimated to occur in 2022.

### SERVICE CONCESSION ARRANGEMENTS

On February 25 2014, the High Performance Transportation Enterprise (HPTE) and Plenary Roads Denver (PRD) completed the financial close of a 50-year concession arrangement. The concession arrangement is HPTE and CDOT's first public private partnership (P3) project, where public and private sectors work together to provide transportation improvements.

The commercial close of the concession arrangement transferred from HPTE to PRD the operations, maintenance, and revenues related to the existing I-25 High Occupancy Toll (HOT) lanes and the U.S. 36 Phase I project once completed in July 2015. Additionally, PRD assumed HPTE's 50-year $54 million TIFIA loan at the completion of U.S. 36 Phase I. PRD also financed, designed, and constructed U.S. 36 Phase II. Once completed in March 2016, PRD transferred the Phase II capital asset with an acquisition value of $88.7 million to HPTE. PRD subsequently assumed the operations, maintenance, and revenues from U.S. 36 Phase II. PRD has the right to collect tolls and raise rates with permission from the HPTE Board. If the Board does not approve the rate increase, HPTE must compensate PRD for any lost revenue.

HPTE reported deferred inflow of resources related to the arrangement of $130.7 million, which is included on the *Statement of Net Position*. The table below shows the carrying amount of HPTE's capital assets at fiscal year-end pursuant to the concession arrangement.

| Project | Description | Carrying Amount | |
|---|---|---|---|
| U.S. 36 Phase II | Tolling Equipment and Software | $ | 58,034 |
| U.S. 36 Phase II | Managed Lanes | $ | 93,221,894 |
| U.S. 36 Phase II | 36 Tolling Stations | $ | 186,611 |

### ENCUMBRANCES

Most encumbrances are supported by annual appropriations and lapse at year-end. However, the Capital Projects Funds, Institutions of Higher Education, and Colorado Department of Transportation Funds (primarily the Highway Users Tax Fund) include multi-year encumbrances of $78.4 million, $141.4 million and $1.4 billion, respectively, which are related to purchase orders and long-term contracts for the construction of major capital projects and infrastructure.

## FINANCIAL GUARANTEES

Colorado statutes (Section 22-41-110, C.R.S.) hold the State liable for defaults on school district bonds and other obligations unless a school district board of education adopts a resolution stating it will not accept payment on their behalf. The State Treasurer shall recover the amount forwarded on behalf of the school districts by withholding amounts from the school district's payments of the state share of the district's total program received and from property tax and specific ownership tax revenues collected by the county treasurer on behalf of the school district; except that the State Treasurer may not recover amounts from property tax revenues that are pledged to pay notes and bonds issued by the school district. The guarantee will continue to be in effect as long as any bonds or other obligations of a school district remain outstanding. As of June 30, 2020, $10.2 billion of the school district bond is outstanding and no liability has been recorded, as the school districts have been deemed capable of meeting the debt service payments.

## CONTINGENCIES

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. 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 lawsuits involving various claims of noncompliance with federal regulations, negligence, and unconstitutional treatment of prisoners. 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.

Significant matters that are deemed a contingent liability to the State requiring disclosure are summarized below. A significant matter is defined as a single instance where an unfavorable outcome would result in damages of $5.0 million or more.

### Grants

The State receives federal grants for specific purposes that are subject to review and audit by grantor agencies. This federal funding is conditional upon compliance with the terms and conditions of such grant agreements and applicable federal laws and regulations. Issues resulting from federal reviews or audits can potentially cause disallowance of expenditures and consequently, a liability of the State.

The federal Department of Health and Human Services, Centers for Medicare and Medicaid (CMS) demanded the State return approximately $38.4 million of performance bonus payments under the Children’s Health Insurance Program Reauthorization Act of 2009, on the basis the State improperly included individuals in current enrollment counts. The State is vigorously defending against the recovery demand, but the likelihood of an unfavorable outcome is uncertain.

## GENERAL LITIGATION

The State is a defendant in a number of lawsuits or is subject to potentially be named as a party to lawsuits that are associated with its normal governmental operations. Although the outcomes are uncertain, some of these litigations could involve substantial losses. However, the State believes in most cases that it will not incur a resulting liability that would have a material or adverse effect on the State's financial condition. Should the State incur a loss through an unfavorable outcome, some of the losses may be covered through liability insurance.

Plaintiffs filed a class action suit on behalf of at least 160 women against the Department of Corrections, alleging violations of the Colorado Anti-Discrimination Act (CADA) for discrimination in a place of public accommodation based on sexual orientation and disability. The State will vigorously defend against an estimated $19.0 million of damage claims in the action, including by invoking any available immunity defenses. The State also intends to reopen discussions with Plaintiffs about potential settlement including changes to CDOC policies and practices.

Plaintiffs have asked the court to declare that the State's inmate work programs constitute slavery or involuntary servitude in violation of Colorado Constitution article II, section 26 and the equal protection guarantee in the Fourteenth Amendment of the U.S. Constitution. The complaint does not seek compensatory damages, but seeks an order requiring defendants to reimburse all Colorado inmates at the minimum wage rate or higher retroactively to December 19, 2018, which could exceed $5.0 million. The case is in its earliest stages and so the likelihood of an unfavorable outcome is uncertain.

Multiple lawsuits have been filed against the Department of Higher Education on behalf of all students enrolled at three state institutions of higher education who have paid tuition and the mandatory student fees for the Spring 2020 semester. Plaintiffs allege breach of contract and, in the alternative, unjust enrichment. The dispute relates to transition to remote delivery of educational services for the latter portion of the Spring 2020 semester in response to the COVID-19 pandemic. Although the likelihood of an unfavorable outcome is uncertain, should the court award a full refund of fees paid for the portion of the semester during which educational services were delivered remotely to all enrolled students, each institution's liability could potentially exceed $5.0 million each.

The State has been named as a defendant related to a claim that it ordered a regulatory taking by prohibiting a corporate entity from legally distributing wastewater. Although the plaintiff seeks $110 million in compensatory damages, a reliable loss or range of loss cannot be estimated at this time. There is a 50% likelihood of an unfavorable outcome.

## TAXPAYER BILL OF RIGHTS (TABOR) COMPLIANCE

TABOR is a constitutional measure that limits the State's annual growth of State revenues or spending to the sum of the annual inflation rate and the annual percentage change in the State's population.

A lawsuit was filed challenging the constitutionality of specific fees assessed by the State for certain public services. The plaintiffs allege that the State is not compliant with TABOR and consequently the fees are unconstitutional. The plaintiff is seeking in excess of $12.8 billion in damages through Fiscal Year 2021 plus 10 percent interest from Fiscal Year 2011 to present. The State is vigorously defending against this lawsuit, and the likelihood for an unfavorable outcome is uncertain. Both the District Court and the Court of Appeals ruled in favor of the State to dismiss the case. The petition is now awaiting a decision from the Colorado Supreme Court.

**NOTE 20 – TAX ABATEMENTS**

The Governor's Office of Economic Development and International Trade (OEDIT) – through the State Economic Development Commission (EDC) – supports recruitment, retention, and economic growth throughout the State by offering a variety of incentives and tax credits. OEDIT provided significant tax abatements under three programs during the fiscal year: Colorado Enterprise Zone Business and Contribution Tax Credits, Job Growth Incentive Tax Credits, and the Regional Tourism Act program.

- The Colorado Enterprise Zone (EZ) program was created under Article 30 of Title 39 of the Colorado Revised Statutes (C.R.S.) to promote a business friendly environment in economically distressed areas by offering state income tax credits that incentivize businesses to locate and develop in these communities. The Enterprise Zone Contribution Credit is a sub-credit of the Enterprise Zone program created under Section 39-30-103.5, C.R.S. The Contribution Credit is issued to taxpayers that contribute to an economic development project initiated by the local zone administrator and approved by the EDC. Taxpayers investing in Enterprise Zones can earn a credit on their Colorado income tax by planning and executing specific economic development activities. The following incentives can be earned by businesses located in Enterprise Zones:

| Business Income Tax Credits | Credit Amount |
|---|---|
| Investment Tax Credit | 3.0 percent of equipment purchases |
| Commercial Vehicles Investment Tax Credit | 1.5 percent of commercial vehicle purchases |
| Job Training Tax Credit | 12 percent of qualified training expenses |
| New Employee Credit | $1,100 per new job created |
| Agricultural Processor New Employee Credit | $500 per new job created |
| Employer Sponsored Health Insurance Credit | $1,000 per covered employee |
| Research & Development Increase Tax Credit | 3 percent of increased R&D expenditures |
| Vacant Commercial Building Rehabilitation Tax Credit | 25 percent of rehabilitation expenditures |
| Additional EZ Incentives | Incentive Amount |
| Manufacturing/Mining Sales and Use Tax Exemption | Expanded Sales & Use tax exemption in EZ |
| Contribution Tax Credit | 25 percent cash/12.5 percent in-kind |

  Areas with high unemployment rates (25% above the State average), low per capita income (25% below the State average), and/or slower population growth (less than 25% of the State average in rural areas) may be approved for EZ designation by the EDC.

  Each income tax year, a business located in an EZ must apply and be pre-certified prior to beginning an activity to earn any of the business tax credits listed in the table above. When pre-certifying, the business states that the credit is a contributing factor to the start-up, expansion, or relocation of the business. To certify for the credit, the investments and/or new jobs must have been made. At the end of the income tax year, a business must certify that the activities were performed. Contribution Tax Credits are earned by taxpayers making donations to eligible EZ Contribution Projects, and certifying those donations with the project organization or Local Enterprise Zone Administrator. The Commercial Vehicle Investment Tax Credit has a separate online application process.

  The provision for recapturing abated taxes would be an income tax return audit conducted by the Department of Revenue.

- The Job Growth Incentive Tax Credit (JGITC) is a performance-based job creation incentive program created under Section 39-22-531 C.R.S., in which businesses must create and maintain permanent new jobs for one year before receiving the tax credit. The JGITC provides a state income tax credit equal to 50% of FICA paid by the business on the net job growth for each calendar year in the credit period. A business must undertake a job creation project for which the State of Colorado is competing with at least one other state for the project. The JGITC must be a major factor in the business decision to locate or retain the project in Colorado, and a business may not start or announce the proposed project (including locating or expanding in the State, hiring employees related to the project, or making material expenditures for the project) until a final application has been submitted and approved by the EDC.

Businesses have to create at least 20 new jobs (full-time equivalents) in Colorado during the credit period with an average yearly wage of at least 100% of the county average wage based on where the business is located. A business located in an Enhanced Rural Enterprise Zone must create at least five net new jobs (full-time equivalents) in Colorado during the credit period with an average yearly wage of at least 100% of the county average wage based on where the business is located. The credit period is 96 consecutive months.

The provision for recapturing abated taxes would be an income tax return audit conducted by the Department of Revenue.

- The Regional Tourism Act (RTA) program was created under Sections 24-46-301 through 309 C.R.S., and provides Tax Increment Financing (TIF) to support construction of unique and extraordinary large scale tourism and entertainment facilities that will drive net new visitors and revenue to Colorado. A percentage of state sales tax within a geographic area in a given year that exceeds a base year amount is collected by the Department of Revenue and diverted to a project financing entity. The EDC shall not approve any project that would likely create an annual state sales tax revenue dedication of more than $50 million to all regional tourism projects. A local government will need to submit a regional tourism project application to OEDIT within the application cycle deadline. OEDIT will review the application for general completeness and to make an initial determination regarding whether the application has met the general criteria for a regional tourism project. The EDC will review applications forwarded with OEDIT recommendations and may approve or reject the project based on a demonstration that the following criteria are materially met:

    - The project is of an extraordinary/unique nature and is reasonably anticipated to contribute significantly to economic development and tourism in the State and communities where the project is located.

    - The project is reasonably anticipated to result in a substantial increase in out-of-state tourism.

    - A significant portion of sales tax revenue generated by the project is reasonably anticipated to be attributable to transactions with nonresidents of the zone.

    - The local government has provided reliable economic data demonstrating that in the absence of state sales tax increment revenue, the project is not reasonably anticipated to be developed within the foreseeable future.

  Recipients must follow the EDC resolution based on their application, and must build certain required elements and improvements and follow conditions established by the EDC. The provision for recapturing abated taxes is a formal decision by the EDC concluding the project has not commenced within five years.

Information relevant to disclosure of these tax abatement programs for the fiscal year ended June 30, 2020 is as follows:

| Tax Abatement Program | Amount of Taxes Abated (in thousands) |
|---|---|
| Colorado Enterprise Zone Business Tax Credits | $ 92,240.3 |
| Colorado Enterprise Zone Contribution Tax Credits | 14,244.7 |
| Job Growth Incentive Tax Credits | 26,684.1 |
| Regional Tourism Act | 11,720.3 |
| Total | $144,889.4 |

## NOTE 21 – SUBSEQUENT EVENTS

### A. DEBT ISSUANCES AND REFUNDINGS

On July 1, 2020, the University of Colorado issued 1) Series 2020A-1 Tax-exempt Enterprise Revenue (Variable Rate Demand Bonds (Green Bonds) for $100.0 million to fund continued construction on the Anschutz Health Science Building (AHSB). It also issued Series 2020A-2 Tax-exempt Enterprise Revenue (Variable Rate Demand Bonds) for $75.0 million to fund continued construction on the Imig music building on the Boulder campus and to fund construction on Anschutz Research Basement Build-out projects and AHSB. Additionally it issued Series 2020B-1 Tax-exempt Enterprise Revenue and Refunding (Variable Rate Demand Bonds) for $50.0 million to refund the existing Commercial Paper debt outstanding. Initial interest rates are reset weekly, daily and daily on the respective bonds. The first interest payment was due August 3, 2020. Interest rate will not exceed 12% per annum. The bonds are subject to optional and mandatory sinking fund redemptions. Final maturity is June 1, 2050. In the event that remarketing proceeds are insufficient, a separate Standby Bond Purchase Agreement supports the payment of principal and interest.

On July 10, 2020, the University of Colorado issued Series 2020B-2 Taxable Enterprise Refunding Revenue Bonds for $140.9 million for refunding projects consisting of three components. The first component is a taxable advance refunding for savings of a portions of the Series 2014B-1, Series 2015A, and Series 2016A of $49.8 million. The second component is to restructure debt to provide budget relief in fiscal year 2021 and 2022 by defeasing $60.3 million of principal due on June 1, 2021 and 2022 and associated interest of $3.9 million. The third component entails paying a portion of interest of $26.5 million due on December 1, 2020 and June 1, 2021. The refundings provide budget relief of $57.1 million and $30.7 million for FY21 and FY22 respectively. Interest rates range from .53% to 2.81% for the 2020B2 Series. The first interest payment date is December 1, 2020. The final maturity of the 2020B2 Bonds is June 1, 2048.

On July 16, 2020, Colorado State University System issued $230.0 million in Taxable Series 2020 A System Enterprise Refunding Bonds. The 2020A Bonds will be used to refund a portion of the debt service for the following series: 2010B, 2012A, 2012B, 2013A, 2013D, 2013E, 2015B, 2015C, 2015E-2, 2015F, 2016A, 2016B, 2017A, 2017B, 2017D, 2017E, 2017F, 2018A, 2019A and 2019B. The 2020A Bond will also be used to pay certain costs relating to the issuance of the 2020A Series Bonds.

On March 1, 2021, Colorado State University System issued $115.0 million in Taxable Series 2021A System Enterprise Refunding Bonds and $115.0 million in Taxable Series 2021B System Enterprise Refunding Bonds. The 2021A and 2021B bonds will be used to fully refund the Taxable Series 2020A debt service. The 2021A and 2021B Series have a fixed interest rate of 0.72% with a final payment on March 1, 2024.

The State of Colorado Colorado Department of Transportation Second Amended and Restated Headquarters Facilities Lease Purchase Agreement Refunding Certificates of Participation, Series 2020, were issued on August 5, 2020 for $19.1 million, with an original issue premium of $3.7 million, to mature in 2041. The issuance was a partial refunding to defease the 2041 term certificate of the State of Colorado Colorado Department of Transportation Headquarters Facilities Lease Purchase Agreement Refunding Certificates of Participation, Series 2016, in the amount of $22.3 million.

On August 4, 2020, the State issued Education Loan Program Tax and Revenue Anticipation Notes (ETRAN), Series 2020A. The notes mature on June 29, 2021. The total due on that date includes $410.0 million in principal and $13.0 million in interest. By statute, interest on the notes is payable from the General Fund. The ETRAN was issued with a premium of $12.3 million, an average coupon rate of 3.51%, and a true interest cost of 0.20%.

On August 6, 2020, the State issued General Fund Tax and Revenue Anticipation Notes (GTRAN), Series 2020. The notes mature on June 25, 2021. The total due on that date includes $600.0 million in principal and $21.3 million in interest. The GTRAN was issued with a premium of $20.3 million, an average coupon rate of 4.00%, and a true interest cost of 0.19%.

On December 9, 2020, the State issued Building Excellent Schools Today (BEST) Certificates of Participation (COPs), Series 2020R in the amount of $98.0 million. The COPs were issued as tax exempt bonds with a premium of $19.9

million, an average coupon rate of 4.13%, and a true interest cost of 2.66%. Base Rents are due semiannually beginning on March 15, 2021, with a final maturity date of March 15, 2045.

On January 28, 2021, the State issued Education Loan Program Tax and Revenue Anticipation Notes (ETRAN), Series 2020B. The notes mature on June 29, 2021. The total due on that date includes $390.0 million in principal and $5.0 million in interest. By statute, interest on the notes is payable from the General Fund. The ETRAN was issued with a premium of $4.9 million, an average coupon rate of 3.06%, and a true interest cost of 0.08%.

On February 24, 2021, the State issued Higher Education Certificates of Participation (COPs), Series 2020 in the amount of $64.3 million. The COPs were issued with a premium of $16.8 million, an average coupon rate of 4.20%, and a true interest cost of 1.84%. Base Rents are due semiannually beginning on September 01, 2021, with a final maturity date of September 01, 2041.

On December 31, 2020, an amendment to the pricing certificate for the Metropolitan State University of Denver's Series 2020 bonds was executed, resulting in a change to the interest rate payable to JP Morgan Chase Bank. Prior to the amendment these bonds had a variable interest rate equal to 80% of LIBOR with a 1% LIBOR floor plus 150 basis points per annum. However, the amendment removed the 1% LIBOR floor with all other terms and conditions unchanged. Should the rates stay where they are as of this report date, this modification is expected to result in approximately $4 million in interest savings over the life of the bond.

On September 23, 2020 the Board of Trustees for Fort Lewis College issued its Enterprise Refunding Revenue Bonds, Tax Exempt Series 2020A-1 in the aggregate principal amount of $685 thousand, its Enterprise Refunding Revenue Bonds, Taxable Series 2020A-2 in the aggregate principal amount of $1.2 million, its Enterprise Refunding Revenue Bonds, Tax Exempt Series 2020B-1 in the aggregate principal amount of $535 thousand, and its Enterprise Refunding Revenue Bonds, Taxable Series 2020B-2 in the aggregate principal amount of $2.6 million to (a) pay and defease certain maturities of the College's outstanding Series 2016A Bonds, Series 2016B bonds, and Series 2016C bond, as set forth below, (b) refund other interest payable on certain of the remaining outstanding portions of the Series 2016A Bonds and Series 2016B bonds, and (c) to pay certain costs relating to the issuance of the Series 2020 bonds. Interest rates for Series 2020A-1 bonds range from 2 percent to 2.25 percent, the first interest payment is due April 1, 2021, and the final maturity is October 1, 2033. Interest rates for Series 2020A-2 bonds range from 1.25 percent to 3 percent, the first interest payment is due April 1, 2021, and the final maturity is October 1, 2033. Interest rates for Series 2020B-1 bonds range from 2 percent to 2.75 percent, the first interest payment is due April 1, 2021, and the final maturity is October 1, 2038. Interest rates for Series 2020B-2 bonds range from 1.25 percent to 3.25 percent, the first interest payment is due April 1, 2021, and the final maturity is October 1, 2038.

| Bond Series | Maturities (October 1) | Par Amount to be Escrowed to Maturity |
|---|---|---|
| Series 2016A Bonds | 2020 | $ 545,000 |
| | 2021 | 560,000 |
| Series 2016B Bonds | 2020 | 510,000 |
| | 2021 | 980,000 |
| Series 2016C Bonds | 2020 | 120,000 |
| | 2021 | 125,000 |
| | | $ 2,840,000 |

The face value of the defeased debt was $2.8 million and the face value of the new debt is $4.9 million. The interest rate of the defeased debt ranged from 2 percent to 4 percent and the interest rate of the new debt ranges from 1.25 percent 3.25 percent. The sum of the debt service of the defeased debt was $4.7 million and the debt service of the new debt is $6.3 million, with a loss of $1.5 million in cash flows. Present values of the debt service cash flow resulted in an economic loss of $495 thousand. Issuance costs were $119 thousand.

On December 1, 2020, the Colorado School of Mines issued its Series 2020 Institutional Enterprise Revenue Refunding Bond in the principal amount of $15.7 million. The Bond's interest rate is 2.02% per annum and will be paid semiannually on December 1 and June 1 until the Bond matures on December 1, 2030. The proceeds of the issuance will be used to pay and cancel the School's outstanding 2010B Bonds and to pay and cancel, or refund and defease, the School's outstanding 2012B Bonds.

On October 14, 2020, the State of Colorado Issued the State of Colorado National Western Center Lease Purchase Financing Program Certificates of Participation (COPs) Series 2020A (Tax-Exempt) and Series 2020B (Federally Taxable). The proceeds of the COPs will be used to finance the construction of certain facilities at the National Western Center Complex in Denver, pay capitalized interest on this issuance and the Series 2018 COPs, and pay the costs of execution and delivery and other expenses related to this issuance. The proceeds of the Series 2020A COPs were $68.7 million and the proceeds of the Series 2020B COPs were $44.2 million. The Series 2020A COPs begin maturing in 2022 with a final maturity date in 2033 and have an interest rate of 5.0%. The Series 2020B COPs mature from 2033 through 2036 and have interest rates varying between 2.427% and 2.727%.

## B. OTHER

In July of 2020, the Colorado School of Mines entered into a long-term lease agreement for a newly constructed dormitory. The School will pay 4.41% interest over 30 years. The lease has a principal value of $44.2 million with annual payments totaling $2.7 million.

On August 4, 2020, three bonds held by Auraria Higher Education Center (2015 COPs, 2015 Student Fee Bonds, 2017 COPS) were modified by deferring the next annual principal payment and extending the maturity date by one year each. The June 30, 2020 financial statement have been adjusted to reflect these modifications. On January 15, 2021, an additional bond held by Auraria Higher Education Center (Parking Enterprise Revenue Refunding Bonds, Series 2016) was modified by deferring the next annual principal payment and extending the maturity date by one year.

Tolling commenced on the C-470 managed lanes on August 18, 2020. The C-470 project increased mobility and user choice on a 12.5-mile stretch of C-470, primarily between I-25 and Wadsworth Boulevard. Over 100,000 motorists currently use this segment of C-470 each day, with traffic volumes projected to increase. To fund the project, the High Performance Transportation Enterprise received credit assistance under the Transportation Infrastructure Finance and Innovation Act for $106.0 million and $176.5 million in toll revenue backed bonds.

From August 18, 2020, through March 2, 2021, the Department of Labor and Employment borrowed $877.9 million on a line of credit with the United States Treasury. The borrowing began when the Unemployment Insurance Trust Fund became insolvent. The borrowed funds were used to continue benefits payments from the Federal Unemployment Account. The CARES Act allows for this borrowing at zero percent interest until March 14, 2021.

The Colorado Energy Office has a loan in the Revolving Loan Fund that is in default. The current outstanding loan is $1.3 million. The loan is collateralized by IP rights to grid load balancing software. The borrower has unsuccessfully attempted to sell the software and IP rights. The Colorado Energy Office was in negotiations to take possession of the software and sell it to a third party for $15 thousand but the third party backed out. Since then, the Colorado Energy Office has determined the software to have no value.

The University of Colorado plans to sell its CU South Denver campus in Douglas County, which it was gifted in 2015. After going through several due diligence assessments, University leadership determined the facility is not financially viable. In October 2020, JLL, the State of Colorado-contracted real estate services firm was selected to market the property, and valued it at different ranges, depending upon potential use. The net book value of the land, building, and improvements was $37,008,000 as of June 30, 2020.

## NOTE 22 – DISCRETELY PRESENTED COMPONENT UNITS

As described in Note 1, the State's discretely presented component units (DPCUs) are entities that are legally separate from the State, but included in the reporting entity due to their relationships with the State. This note discusses the significant balances reported in the financial statements for DPCUs and financial items directly related to the State's financial accountability for the DPCUs.

### Basis of Accounting

The financial statements for the Colorado Water Resources and Power Development Authority (the Authority), a major DPCU, as well as the nonmajor DPCUs, the Denver Metropolitan Baseball Stadium District (the District), HLC @ Metro, Inc. (HLC), and the Statewide Internet Portal Authority (SIPA), are prepared on the accrual basis of accounting using the economic resources measurement focus and follow GASB standards for governments. The financial information for the Authority and the District is presented for the fiscal year ended December 31, 2019 and the financial information for HLC and SIPA is presented for the fiscal year ended June 30, 2020.

The financial information for the University of Colorado Foundation (the Foundation), a major DPCU, is presented for the fiscal year ended June 30, 2020. The Foundation follows standards for not-for-profit accounting promulgated by the Financial Accounting Standards Board (FASB), which recommends preparing financial statements using the accrual basis of accounting.

### Cash and Cash Equivalents

The Authority reported cash and cash equivalents with a fair market value of $337.0 million. This amount comprises $315.0 million held by COLOTRUST (Colorado Local Government Liquid Asset Trust), $4.7 million held in the State Treasurer's Investment Pool, $15.4 million in a Federated Government Obligations Fund, and $1.9 million in bank cash deposits. The COLOTRUST and Federated deposits had nationally recognized statistical rating organization (NRSRO) credit ratings of AAAm. The COLOTRUST deposits were measured at net asset value per share (NAV) and the Federated deposits were measured using quoted market prices. The fair market value disclosures for the Treasurer's Investment Pool are disclosed in Note 4.

### Investments

The Foundation holds resources for the benefit of the State and the amount of those resources, the vast majority of which are investments, are significant to the State.

Since the Foundation's financial statements are prepared according to FASB not-for-profit standards, the investment risk disclosures typical of government financial statements are not disclosed. The Foundation has adopted an investment policy that seeks to provide a steady and increasing stream of funding while maintaining the purchasing power of the assets. The Foundation's investments are reported, to the extent possible, at fair market value. The FASB fair market value reporting requirements provide for a valuation method hierarchy similar to GASB's. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 Investments – values are based on quoted prices (unadjusted) for identical assets (or liabilities) in active markets that a government can access at the measurement date.

Level 2 Investments with inputs – quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other-than-quoted prices that are not observable. Example: Ownership of a corporate bond that trades on an exchange that is not active.

Level 3 Investments – classified as Level 3 have unobservable inputs for an asset (or liability) and may require a degree of professional judgment.

The following table summarizes the Foundation's investments by type within the fair value hierarchy as of June 30, 2020. In addition to the investments at reported at fair value below, the Foundation reports investment assets at cost or present value of $85.3 million.

**University of Colorado Foundation**
**Fair Value Measurements Using**
(Amounts In Thousands)

| Investment Type | Fair Value as of 6/30/2020 | Quoted prices in active markets for identical assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Net Asset Value Per Share |
|---|---|---|---|---|---|
| Mutual Funds - Domestic Equities | $ 17,836 | $ 17,836 | $ - | $ - | $ - |
| Mutual Funds - International Equities | 154,087 | 154,087 | - | - | - |
| Mutual Funds - Fixed Income | 2,103 | 2,103 | - | - | - |
| Equity Securities | 283,859 | 243,059 | - | 40,800 | - |
| Fixed-Income Securities | 146,307 | - | 146,307 | - | - |
| Real Estate | 58,795 | - | - | - | 58,795 |
| Private Equity | 323,445 | - | - | - | 323,445 |
| Commingled Equity Securities | 503,391 | - | - | - | 503,391 |
| Absolute Return | 304,803 | - | - | - | 304,803 |
| Venture Capital | 197,433 | - | - | 567 | 196,866 |
| Commodities | 15,798 | - | - | - | 15,798 |
| Other | 793 | - | 569 | 224 | - |
| Assets Held Under Split-Interest Agreements | 34,810 | 34,810 | - | - | - |
| Beneficial Interest in Charitable Trusts Held by Others | 13,388 | - | - | 13,388 | - |
| **Total** | **$ 2,056,848** | **$ 451,895** | **$ 146,876** | **$ 54,979** | **$ 1,403,098** |

## Receivables

The Authority loans funds to finance local government water resources projects, wastewater treatment projects, and drinking water projects. The Authority reported loans receivable of $1,008.9 million as of December 31, 2019. The scheduled maturities of the loans receivable are below.

**Colorado Water Resources and Power Development Authority**
**Loans Receivable**
(In Thousands)

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2020 | $ 68,578 | $ 14,883 | $ 83,461 |
| 2021 | 68,559 | 13,632 | 82,191 |
| 2022 | 69,421 | 12,421 | 81,842 |
| 2023 | 66,691 | 11,237 | 77,928 |
| 2024 | 66,443 | 10,062 | 76,505 |
| 2025 to 2029 | 290,036 | 39,095 | 329,131 |
| 2030 to 2034 | 224,969 | 19,857 | 244,826 |
| 2035 to 2039 | 114,027 | 5,709 | 119,736 |
| 2040 to 2044 | 25,882 | 1,573 | 27,455 |
| 2045 to 2049 | 14,050 | 239 | 14,289 |
| 2050 to 2051 | 226 | - | 226 |
| **Total** | **$ 1,008,882** | **$ 128,708** | **$ 1,137,590** |

The Foundation reported contributions receivable of $123.7 million. This amount is net of allowances for uncollectible contributions and net present value discount. Of this amount, $40.7 million is due within one year, $73.4 million is due within one to five years, and $9.6 million is due in more than five years.

**Debt Service Requirements**

The Authority has issued several bonds to finance local government water projects, which do not constitute debt of the State. The Authority issued two series of bonds in 2019, the 2019 Series A (SRF) Clean Water Revenue Bonds for $10.9 million and the 2019 Series A (SRF) Drinking Water Revenue Bonds for $5.9 million. 2019 bond retirements included: 1) the 2003 Series A and 2006 Series A Small Water Resources Revenue Bonds, 2) the 1998 Series B and 1999 Series A Clean Water Revenue Bonds, and 3) the 2006 Series B, 2008 Series A, and 2008 Series B Drinking Water Revenue Bonds. As of December 31, 2019, the Authority reported $34.0 million in current bonds payable and $388.8 million in noncurrent bonds payable.

The schedule below summarizes the remaining debt service payments for all bond issuances for the Authority.

**Colorado Water Resources and Power Development Authority**
**Debt Service Requirements**
(In Thousands)

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2020 | $ 33,960 | $ 18,062 | $ 52,022 |
| 2021 | 32,390 | 16,502 | 48,892 |
| 2022 | 33,300 | 14,999 | 48,299 |
| 2023 | 32,595 | 13,487 | 46,082 |
| 2024 | 32,670 | 12,138 | 44,808 |
| 2025 to 2029 | 125,450 | 43,890 | 169,340 |
| 2030 to 2034 | 92,485 | 19,934 | 112,419 |
| 2035 to 2039 | 30,170 | 4,872 | 35,042 |
| 2040 to 2044 | 8,430 | 1,173 | 9,603 |
| 2045 to 2048 | 1,365 | 115 | 1,480 |
| **Total** | **$ 422,815** | **$ 145,172** | **$ 567,987** |

HLC's Series 2010 Bonds were, in-substance, defeased in Fiscal Year 2020. Its remaining debt payments are covered by $49.3 million of assets placed in trust to be solely used for future payments.

**Capital Assets**

The District owns and operates a major league baseball stadium and other related capital assets. The District depreciates land improvements, buildings and other property and equipment using the straight-line method over estimated useful lives that range from three to 50 years. Changes in capital assets for the District for 2019 are below.

**Denver Metropolitan Major League Baseball Stadium District**
**Changes in Capital Assets**
(In Thousands)

| | Beginning Balance, 1/1/2019 | Additions | Transfers | Retirements | Ending Balance, 12/31/2019 |
|---|---|---|---|---|---|
| Historical Costs | | | | | |
| Land | $ 20,613 | $ 51 | $ - | $ - | $ 20,664 |
| Land Improvements | 13,214 | - | - | - | 13,214 |
| Buildings | 197,240 | 11,132 | 3,428 | - | 211,800 |
| Construction in Progress | 3,939 | 4,671 | (3,938) | - | 4,672 |
| Other Property and Equipment | 32,183 | 1,445 | 510 | - | 34,138 |
| Total Historical Costs | 267,189 | 17,299 | - | - | 284,488 |
| Accumulated Depreciation | | | | | |
| Land Improvements | (6,479) | (226) | - | - | (6,705) |
| Buildings | (70,696) | (5,638) | - | - | (76,334) |
| Other Property and Equipment | (23,481) | (1,172) | - | - | (24,653) |
| Total Accumulated Depreciation | (100,656) | (7,036) | - | - | (107,692) |
| **Net Capital Assets** | **$ 166,533** | **$ 10,263** | **$ -** | **$ -** | **$ 176,796** |

### Transactions with the Primary Government

Pursuant to statutes, with the written consent of the Department of Public Health and Environment, the Authority is authorized, on behalf of the State, to execute operating agreements with the United States Environmental Protection Agency. The Authority entered into a memorandum of agreement with the Department of Public Health and Environment and the Department of Local Affairs, under which each has agreed to assume specified responsibilities. The Authority incurred expenses for the two state agencies totaling $10.1 million in the fiscal year ending December 31, 2019.

In Fiscal Year 2020, HLC sold most of its assets to the Metropolitan State University of Denver (MSU). HLC received $47.5 million from MSU in exchange for HLC's property, plant and equipment totaling $37.9 million, as well as $1.7 million of other assets, and liabilities of $.4 million. HLC realized a gain of $8.3 million from the transaction. Additionally, HLC had entered into an interest rate swap agreement which was transferred to MSU. HLC paid $.2 million for interest on MSU's Series 2020 bonds during the last quarter of the fiscal year.

The Foundation reported custodial funds of $459.8 million, held for investment for the University of Colorado. In Fiscal Year 2020, the Foundation collected a 1.5 percent annual advancement support assessment on these funds, which was $4.7 million. $184.5 million of distributions were transferred to the University and $24.4 million of advancement support was paid to the University.

### Pension Information

The Authority participates in the PERA defined benefit pension plan disclosed in Note 6. Disclosures in Note 6 for the PERA State Division Trust Fund (SDTF) regarding general information about the plan, contributions, and actuarial assumptions are also applicable to the Authority. The pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions specific to the Authority are provided below.

At December 31, 2019, the Authority reported a liability of $3,997,037 for its proportionate share of the collective net pension liability.

The Authority recognized reduction of pension expense of $439,667 and revenue of $1,267 for support from the State as a nonemployer contributing entity for the fiscal year ended December 31, 2019. At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | $ 114,302 | $ - |
| Changes of assumptions or other inputs | 210,464 | 2,064,008 |
| Net difference between projected and actual earnings on pension plan investments | 201,895 | - |
| Changes in proportion | 6,814 | 502,259 |
| Contributions subsequent to the measurement date | 240,259 | - |
| Total | $ 773,734 | $ 2,566,267 |

At December 31, 2019, the Authority reported $240,259 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending December 31, | Amount |
|---|---|
| 2020 | $ (985,831) |
| 2021 | (1,167,443) |
| 2022 | 9,918 |
| 2023 | 110,564 |
| | $ (2,032,792) |

**Other Post-Employment Benefits (OPEB)**

The Authority participates in the PERA defined benefit OPEB plan disclosed in Note 7. Disclosures in Note 7 for the PERA Health Care Trust Fund (HCTF) OPEB regarding general information about the plan, contributions, and actuarial assumptions are also applicable to the Authority. The OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB specific to the Authority are provided below.

At December 31, 2019, the Authority reported a liability of $194,626 for its proportionate share of the collective net OPEB liability.

The Authority recognized OPEB expense of $16,127 for the fiscal year ended December 31, 2019. At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | | Deferred Inflows of Resources | |
|---|---|---|---|---|
| Difference between expected and actual experience | $ | 707 | $ | 296 |
| Changes of assumptions or other inputs | | 1,365 | | - |
| Net difference between projected and actual earnings on OPEB plan investments | | 1,119 | | - |
| Changes in proportion | | 826 | | 251 |
| Contributions subsequent to the measurement date | | 12,727 | | - |
| Total | **$** | **16,744** | **$** | **547** |

At December 31, 2019, the Authority reported $12,727 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending December 31, | Amount | |
|---|---|---|
| 2020 | $ | 623 |
| 2021 | | 623 |
| 2022 | | 623 |
| 2023 | | 1,400 |
| 2024 | | 196 |
| Thereafter | | 5 |
| | **$** | **3,470** |

**Subsequent Events**

On January 28, 2020, a municipal water district paid the Authority $48.5 million to prepay a loan with the Authority. These funds, along with cash on hand were deposited into an escrow account to pay principal and interest on outstanding bonds of $51.5 million, which will be called on September 1, 2020.

On November 5, 2020, the Authority issued its State Revolving Fund Revenue Bonds 2020 Series B. The $11.0 million proceeds from the issuance will be used to fund loans to governmental municipal borrowers to finance or refinance certain costs of improvements to wastewater treatment facilities, to fund a deposit to a debt service reserve account, and to pay costs of issuance. The Bonds have maturity dates starting in 2021 and ending in 2050 with interest rates varying between 1.0% and 5.0%.

# REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS BUDGET AND ACTUAL - APPROPRIATED GENERAL FUNDED FOR THE YEAR ENDED JUNE 30, 2020

| (DOLLARS IN THOUSANDS) | ORIGINAL APPROPRIATION | FINAL SPENDING AUTHORITY | ACTUAL | (OVER)/UNDER SPENDING AUTHORITY |
|---|---|---|---|---|
| REVENUES AND TRANSFERS-IN: | | | | |
| Sales and Other Excise Taxes | | | $ 3,395,362 | |
| Income Taxes | | | 7,882,440 | |
| Other Taxes | | | 305,095 | |
| Sales and Services | | | 2,189 | |
| Interest Earnings | | | 32,589 | |
| Other Revenues | | | 23,371 | |
| Transfers-In | | | 364,945 | |
| TOTAL REVENUES AND TRANSFERS-IN | | | 12,005,991 | |
| EXPENDITURES AND TRANSFERS-OUT: | | | | |
| Operating Budgets: | | | | |
| Departmental: | | | | |
| Agriculture | $ 12,099 | $ 12,099 | 12,035 | $ 64 |
| Corrections | 885,383 | 884,397 | 874,353 | 10,044 |
| Education | 4,405,171 | 4,415,090 | 4,412,483 | 2,607 |
| Governor | 53,098 | 46,976 | 45,126 | 1,850 |
| Health Care Policy and Financing | 3,150,437 | 2,955,045 | 2,951,822 | 3,223 |
| Higher Education | 1,112,706 | 1,110,764 | 1,110,493 | 271 |
| Human Services | 1,043,300 | 1,018,138 | 1,009,370 | 8,768 |
| Judicial Branch | 616,134 | 606,133 | 594,069 | 12,064 |
| Labor and Employment | 25,520 | 25,536 | 25,264 | 272 |
| Law | 18,718 | 18,747 | 17,746 | 1,001 |
| Legislative Branch | 55,198 | 55,174 | 53,940 | 1,234 |
| Local Affairs | 44,341 | 43,073 | 42,074 | 999 |
| Military and Veterans Affairs | 11,616 | 11,284 | 10,967 | 317 |
| Natural Resources | 43,465 | 34,790 | 34,408 | 382 |
| Personnel & Administration | 15,633 | 15,482 | 15,383 | 99 |
| Public Health and Environment | 59,177 | 59,665 | 58,627 | 1,038 |
| Public Safety | 166,108 | 168,235 | 163,847 | 4,388 |
| Regulatory Agencies | 2,325 | 2,373 | 2,352 | 21 |
| Revenue | 87,416 | 86,416 | 85,533 | 883 |
| State | 8,419 | 8,419 | 9,451 | (1,032) |
| Treasury | 29,957 | 13,457 | 11,236 | 2,221 |
| SUB-TOTAL OPERATING BUDGETS | 11,846,221 | 11,591,293 | 11,540,579 | 50,714 |
| Capital and Multi-Year Budgets: | | | | |
| Departmental: | | | | |
| Agriculture | - | 2,396 | 452 | 1,944 |
| Corrections | - | 28,888 | 5,186 | 23,702 |
| Education | - | 2,264 | 1,155 | 1,109 |
| Governor | 445 | 47,898 | 14,821 | 33,077 |
| Health Care Policy and Financing | - | 2,831 | 364 | 2,467 |
| Higher Education | - | 148,883 | 95,820 | 53,063 |
| Human Services | - | 91,680 | 32,160 | 59,520 |
| Military and Veterans Affairs | - | 3,551 | 228 | 3,323 |
| Natural Resources | 1,000 | 1,000 | - | 1,000 |
| Personnel & Administration | 2,044 | 17,646 | 3,525 | 14,121 |
| Public Health and Environment | - | 4,148 | 1,444 | 2,704 |
| Public Safety | - | 728 | 42 | 686 |
| Transportation | 500 | 1,014 | 514 | 500 |
| SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS | 3,989 | 352,927 | 155,711 | 197,216 |
| TOTAL EXPENDITURES AND TRANSFERS-OUT | $ 11,850,210 | $ 11,944,220 | 11,696,290 | $ 247,930 |
| EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT | | | $ 309,701 | |

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 POSITION - BUDGETARY BASIS BUDGET AND ACTUAL - APPROPRIATED CASH FUNDED FOR THE YEAR ENDED JUNE 30, 2020

| (DOLLARS IN THOUSANDS) | ORIGINAL APPROPRIATION | FINAL SPENDING AUTHORITY | ACTUAL | (OVER)/UNDER SPENDING AUTHORITY |
|---|---|---|---|---|
| REVENUES AND TRANSFERS-IN: | | | | |
| Sales and Other Excise Taxes | | | $ 13,051 | |
| Income Taxes | | | 646,700 | |
| Other Taxes | | | 108,962 | |
| Tuition and Fees | | | 3,137,184 | |
| Sales and Services | | | 1,469,613 | |
| Interest Earnings | | | 47,186 | |
| Other Revenues | | | 788,246 | |
| Transfers-In | | | 1,680,599 | |
| Capital Contributions | | | 317 | |
| TOTAL REVENUES AND TRANSFERS-IN | | | 7,891,858 | |
| EXPENDITURES/EXPENSES AND TRANSFERS-OUT: | | | | |
| Operating Budgets: | | | | |
| Departmental: | | | | |
| Agriculture | $ 37,568 | $ 35,745 | 29,148 | $ 6,597 |
| Corrections | 78,063 | 77,780 | 52,536 | 25,244 |
| Education | 1,137,120 | 1,091,222 | 1,038,244 | 52,978 |
| Governor | 322,705 | 315,770 | 269,322 | 46,448 |
| Health Care Policy and Financing | 1,463,591 | 1,488,778 | 1,365,034 | 123,744 |
| Higher Education | 3,282,047 | 3,267,851 | 3,193,599 | 74,252 |
| Human Services | 352,019 | 356,000 | 296,014 | 59,986 |
| Judicial Branch | 178,831 | 183,922 | 140,036 | 43,886 |
| Labor and Employment | 79,132 | 78,032 | 76,831 | 1,201 |
| Law | 69,348 | 68,911 | 63,931 | 4,980 |
| Legislative Branch | 1,456 | 1,817 | 1,504 | 313 |
| Local Affairs | 42,061 | 54,744 | 50,065 | 4,679 |
| Military and Veterans Affairs | 1,475 | 1,475 | 1,062 | 413 |
| Natural Resources | 282,297 | 280,902 | 193,525 | 87,377 |
| Personnel & Administration | 136,452 | 134,620 | 112,072 | 22,548 |
| Public Health and Environment | 259,584 | 257,437 | 216,098 | 41,339 |
| Public Safety | 265,978 | 267,443 | 249,697 | 17,746 |
| Regulatory Agencies | 96,703 | 96,910 | 88,488 | 8,422 |
| Revenue | 241,027 | 238,980 | 201,745 | 37,235 |
| State | 27,989 | 28,013 | 24,787 | 3,226 |
| Transportation | 138,618 | 43,191 | 42,056 | 1,135 |
| Treasury | 54,754 | 54,797 | 31,778 | 23,019 |
| SUB-TOTAL OPERATING BUDGETS | 8,548,818 | 8,424,340 | 7,737,572 | 686,768 |
| Capital and Multi-Year Budgets: | | | | |
| Departmental: | | | | |
| Agriculture | - | 3,264 | 1,590 | 1,674 |
| Governor | - | 22,536 | 6,615 | 15,921 |
| Higher Education | 44,356 | 269,566 | 73,640 | 195,926 |
| Human Services | 745 | 5,392 | 1,071 | 4,321 |
| Labor and Employment | - | 18,403 | 9,542 | 8,861 |
| Natural Resources | 20,870 | 56,293 | 14,082 | 42,211 |
| Personnel & Administration | - | 369 | 50 | 319 |
| Public Health and Environment | 5,083 | 6,987 | 1,260 | 5,727 |
| Public Safety | 2,111 | 450 | - | 450 |
| Transportation | - | 725 | 621 | 104 |
| SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS | 73,165 | 383,985 | 108,471 | 275,514 |
| TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT | $ 8,621,983 | $ 8,808,325 | 7,846,043 | 962,282 |
| EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT | | | $ 45,815 | |

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 POSITION - BUDGETARY BASIS BUDGET AND ACTUAL - APPROPRIATED FEDERALLY FUNDED FOR THE YEAR ENDED JUNE 30, 2020

| (DOLLARS IN THOUSANDS) | ORIGINAL APPROPRIATION | FINAL SPENDING AUTHORITY | ACTUAL | (OVER)/UNDER SPENDING AUTHORITY |
|---|---|---|---|---|
| REVENUES AND TRANSFERS-IN: | | | | |
| Federal Grants and Contracts | | | $ 6,443,601 | |
| TOTAL REVENUES AND TRANSFERS-IN | | | 6,443,601 | |
| EXPENDITURES/EXPENSES AND TRANSFERS-OUT: | | | | |
| Capital and Multi-Year Budgets: | | | | |
| Departmental: | | | | |
| Health Care Policy and Financing | $ 5,747,994 | $ 6,002,779 | 6,027,578 | $ (24,799) |
| Human Services | 344,702 | 387,254 | 354,372 | 32,882 |
| Labor and Employment | 27,245 | 29,346 | 25,721 | 3,625 |
| Public Health and Environment | 19,749 | 19,749 | 16,145 | 3,604 |
| SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS | 6,139,690 | 6,439,128 | 6,423,816 | 15,312 |
| TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT | $ 6,139,690 | $ 6,439,128 | 6,423,816 | $ 15,312 |
| EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT | | | $ 19,785 | |

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, 2020

(DOLLARS IN THOUSANDS)

| | GOVERNMENTAL FUNDS | | | |
|---|---|---|---|---|
| | GENERAL | FEDERAL SPECIAL REVENUE FUND | HIGHWAY USERS TAX | OTHER GOVERNMENTAL FUNDS |
| BUDGETARY BASIS: | | | | |
| Revenues and Transfers-In Appropriated (Required Supplementary Information): | | | | |
| General | $ 11,815,710 | $ - | $ - | $ 190,281 |
| Cash | 976,142 | - | 282,508 | 1,839,151 |
| Federal | 4,033,362 | - | - | 4,772 |
| Sub-Total Revenues and Transfers-In Appropriated | 16,825,214 | - | 282,508 | 2,034,204 |
| Revenues and Transfers-In Non-Appropriated (Supplementary Information): | | | | |
| General | 1,265,290 | - | - | - |
| Cash | 5,338,671 | 3,336 | 2,291,814 | 2,803,653 |
| Federal | 2,634,069 | 1,910,660 | 660,650 | 311,056 |
| Sub-Total Revenues and Transfers-In Non-Appropriated | 9,238,030 | 1,913,996 | 2,952,464 | 3,114,709 |
| Total Revenues and Transfers-In Appropriated and Non-Appropriated | 26,063,244 | 1,913,996 | 3,234,972 | 5,148,913 |
| Expenditures/Expenses and Transfers-Out Appropriated (Required Supplementary Information): | | | | |
| General Funded | 11,540,290 | - | - | 156,000 |
| Cash Funded | 972,681 | - | 290,211 | 1,837,452 |
| Federally Funded | 4,017,921 | - | - | - |
| Expenditures/Expenses and Transfers-Out Appropriated | 16,530,892 | - | 290,211 | 1,993,452 |
| Expenditures/Expenses and Transfers-Out Non-Appropriated(Supplementary Information): | | | | |
| General Funded | 1,126,820 | - | - | - |
| Cash Funded | 5,053,553 | - | 2,426,806 | 2,093,569 |
| Federally Funded | 2,642,277 | 1,910,660 | 602,993 | 281,324 |
| Expenditures/Expenses and Transfers-Out Non-Appropriated | 8,822,650 | 1,910,660 | 3,029,799 | 2,374,893 |
| Expenditures/Expenses and Transfers-Out Appropriated and Non-Appropriated | 25,353,542 | 1,910,660 | 3,320,010 | 4,368,345 |
| Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis - Appropriated | 294,322 | - | (7,703) | 40,752 |
| Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis - Non-Appropriated | 415,380 | 3,336 | (77,335) | 739,816 |
| BUDGETARY BASIS ADJUSTMENTS: | | | | |
| Increase/(Decrease) for Unrealized Gains/Losses | 21,723 | 18,014 | 19,933 | 116,743 |
| Increase for Budgeted Non-GAAP Expenditures | - | - | - | - |
| Increase/(Decrease) for GAAP Expenditures Not Budgeted | 497,175 | 1,710,644 | 809,829 | 1,076,116 |
| Increase/(Decrease) for GAAP Revenue Adjustments | (881,718) | (1,710,644) | (809,025) | (1,356,351) |
| Increase/(Decrease) for Non-Budgeted Funds | - | - | - | - |
| Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis | 346,882 | 21,350 | (64,301) | 617,076 |
| GAAP BASIS FUND BALANCES/NET POSITION: | | | | |
| FUND BALANCE/NET POSITION, FISCAL YEAR BEGINNING | 2,062,907 | - | 1,042,654 | 5,473,348 |
| Prior Period Adjustments (See Note 15A) | (8,195) | - | - | - |
| Accounting Changes (See Note 15B) | - | - | - | - |
| NET POSITION - FISCAL YEAR BEGINNING (RESTATED) | 2,054,712 | - | 1,042,654 | 5,473,348 |
| FUND BALANCE/NET POSITION, FISCAL YEAR END | $ 2,401,594 | $ 21,350 | $ 978,353 | $ 6,090,424 |

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

| PROPRIETARY FUND TYPES | | | | | | | |
|---|---|---|---|---|---|---|---|
| HIGHER EDUCATION INSTITUTIONS | TRANSPORTATION ENTERPRISE | UNEMPLOYMENT INSURANCE | HEALTHCARE AFFORDABILITY | OTHER ENTERPRISE FUNDS | INTERNAL SERVICE | **TOTAL PRIMARY GOVERNMENT** | **FIDUCIARY FUND TYPES** |
| $ - | $ - | $ - | $ - | $ - | $ - | $ 12,005,991 | $ - |
| 3,177,947 | - | 14,363 | 936,780 | 251,014 | 411,051 | 7,888,956 | 2,902 |
| - | - | - | 2,405,470 | (3) | - | 6,443,601 | - |
| 3,177,947 | - | 14,363 | 3,342,250 | 251,011 | 411,051 | 26,338,548 | 2,902 |
| - | - | - | - | - | - | 1,265,290 | - |
| 645,738 | 216,219 | 561,992 | 541 | 875,442 | 78,348 | 12,815,754 | 2,334,493 |
| 121,953 | 20,251 | 2,911,035 | 184,858 | 283,462 | - | 9,037,994 | - |
| 767,691 | 236,470 | 3,473,027 | 185,399 | 1,158,904 | 78,348 | 23,119,038 | 2,334,493 |
| 3,945,638 | 236,470 | 3,487,390 | 3,527,649 | 1,409,915 | 489,399 | 49,457,586 | 2,337,395 |
| - | - | - | - | - | - | 11,696,290 | - |
| 3,145,434 | - | 20,253 | 883,195 | 307,452 | 386,449 | 7,843,127 | 2,916 |
| - | - | - | 2,405,895 | - | - | 6,423,816 | - |
| 3,145,434 | - | 20,253 | 3,289,090 | 307,452 | 386,449 | 25,963,233 | 2,916 |
| - | - | - | - | - | - | 1,126,820 | - |
| 488,403 | 22,476 | 1,582,836 | 1,744 | 794,276 | 81,383 | 12,545,046 | 1,790,394 |
| 38,972 | - | 3,173,770 | 184,940 | 274,494 | - | 9,109,430 | - |
| 527,375 | 22,476 | 4,756,606 | 186,684 | 1,068,770 | 81,383 | 22,781,296 | 1,790,394 |
| 3,672,809 | 22,476 | 4,776,859 | 3,475,774 | 1,376,222 | 467,832 | 48,744,529 | 1,793,310 |
| 32,513 | - | (5,890) | 53,160 | (56,441) | 24,602 | 375,315 | (14) |
| 240,316 | 213,994 | (1,283,579) | (1,285) | 90,134 | (3,035) | 337,742 | 544,099 |
| 12 | 9,325 | 16 | (171) | 14,341 | 1,796 | 201,732 | 10,231 |
| - | - | - | - | - | - | - | - |
| 15,416 | (13,679) | 9,566 | (55,887) | 166,073 | 83,741 | 4,298,994 | 2,148 |
| 27,956 | (2,156) | 58 | 59,883 | (36,259) | (892) | (4,709,148) | (2,086) |
| 1,102,609 | - | - | - | - | - | 1,102,609 | - |
| 1,418,822 | 207,484 | (1,279,829) | 55,700 | 177,848 | 106,212 | 1,607,244 | 554,378 |
| 1,683,539 | 1,153,149 | 1,278,298 | 8,038 | 396,996 | (506,485) | 12,592,444 | 9,126,394 |
| - | - | - | 11,209 | - | - | 3,014 | - |
| 2,446 | - | - | - | - | - | 2,446 | - |
| 1,685,985 | 1,153,149 | 1,278,298 | 19,247 | 396,996 | (506,485) | 12,597,904 | 9,126,394 |
| $ 3,104,807 | $ 1,360,633 | $ (1,531) | $ 74,947 | $ 574,844 | $ (400,273) | 14,205,148 | $ 9,680,772 |

## NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

### NOTE RSI-1 – BUDGETARY INFORMATION

### A. BUDGETARY BASIS

Budget schedules are presented as appropriated and nonappropriated for each category. The appropriated schedules are part of the Required Supplementary Information (RSI) section while the nonappropriated schedules are part of the Supplementary Information (SI) section.

The three budget-to-actual schedules in the RSI show revenues and expenditures that are legislatively appropriated, excluding informational only appropriations that do not require action of the legislature but are included in the appropriations bills for informational purposes only. These schedules are presented in the budgetary fund structure discussed below.

Budgetary fund types differ from fund types proscribed by generally accepted accounting principles. The budgetary fund types are general, cash, and federal funds. For budgetary purposes, cash funds include financial resources designated to support specific expenditures. Federal funds primarily include revenues received from the federal government. All other financial resources received are general-purpose revenues, and are not designated for specific expenditures until appropriated.

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

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

- Payments to employees paid on a monthly basis for time worked in June of each fiscal year are made on the first working day of the following month; for general-funded appropriations those payments are reported as expenditures in the following fiscal year.

- Certain payments by state agencies to the Office of Information Technology for information technology services purchased in June using general-funded appropriations are reported as expenditures in the following fiscal year.

- Medicaid services claims are reported as expenditures only when the Department of Health Care Policy and Financing requests payment by the State Controller for medical services premiums under the Colorado Medical Services Act or for medical service provided by the Department of Human Services under the Colorado Medical Services Act. Similar treatment is afforded to non-administrative expenditures that qualify for federal participation under Title XIX of the federal Social Security Act except for medically indigent program expenditures. In most years, this results in the Department of Health Care Policy and Financing excluding expenditures accrued for services provided but not yet billed.

- Expenditures of the fiscal year in the following three categories that have not been paid at June 30 are reported in the following year: Old Age Pension Health and Medical Care program costs; state contributions required by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003; and financial administration costs of any non-administrative expenditure under the Children's Basic Health Plan.

- Unrealized gains and losses on investments are not recognized as changes in revenue on the budgetary basis.

- Pension expense related to unfunded pension liabilities are not recognized on a budgetary basis.

## B. BUDGETARY PROCESS

The financial operations of the legislative, judicial, and executive branches of the 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 and institution of higher education capital projects.

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

Most general and cash funded appropriations, with the exception of capital projects, lapse at year-end unless specifically required by the General Assembly or executive action is taken to rollforward all or part of the remaining unspent budget authority. Appropriations that meet the strict criteria for rollforward are reported in Note 19. Since capital projects appropriations are generally available for three years after appropriation, significant amounts of the capital budgets remain unexpended at fiscal year-end. Cash funded highway construction, maintenance and operations in the Department of Transportation are appropriated as operating budgets, but remain available in future years through action of the Transportation Commission.

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 and special bills, excluding informational only appropriations. The column titled Final Spending Authority includes the original appropriation and supplemental appropriations of the Legislature.

Spending occurs outside of the legislative appropriations process primarily for custodial purposes, federally-funded activity for which there is no general-purpose revenue matching requirement, statutory transfers, and other miscellaneous budgetary items. Additional budget-to-actual schedules related to nonappropriated activity are included in the Supplementary Section of the Comprehensive Annual Financial Report.

## 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 noted above. 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 2. 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 schedules. These events and transactions are shown in the reconciliation as “Unrealized Gains/Losses” and/or “GAAP Revenue Adjustments.”

**D. BUDGET TO GAAP RECONCILIATION**

The *Reconciling Schedule – All Budget Fund Types to All GAAP Fund Types* shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure and how nonappropriated revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure relate to the change in fund balances/net position for the funds presented in the fund-level financial statements.

Certain expenditures on a generally accepted accounting principle (GAAP) basis, such as bad debt expense related to loan activity and depreciation, are not budgeted by the General Assembly. In addition, certain General Purpose Revenue Fund payroll disbursements for employee time worked in June by employees paid on a monthly basis, June general-funded purchases of service from the Office of Information Technology, and Medicaid and certain other assistance program payments (see Section A above) accrued but not paid by June 30 are excluded from the 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.” Additionally, this line item includes 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.

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 schedules. 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 schedules 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 – THE STATE'S DEFINED BENEFIT PENSION PLAN

## A. PROPORTIONATE SHARE OF PENSION LIBILITY AND CONTRIBUTIONS

### Proportionate Share:

The State, Judicial, Denver Public Schools, and Schools Divisions Trust Funds – which are defined benefit cost-sharing multiple-employer pension plans – are administered by the Public Employees' Retirement Association (PERA). The schedule below presents the State's (primary government) proportionate share of the net pension liability for its retirement Trusts. The amounts presented for each Division were determined as of the measurement date, which is the calendar year-end that occurred within the State's fiscal year. Information is not available prior to Calendar Year 2013 for the State and Judicial Divisions, and Calendar Year 2018 for the Denver Public Schools, Schools, and State and Judicial NCE Divisions.

**State Division**

(Amounts In Thousands)

| | CY 2019 | CY 2018 | CY 2017 | CY 2016 | CY 2015 | CY 2014 | CY 2013 |
|---|---|---|---|---|---|---|---|
| State's proportion of the net pension liability | 95.49% | 95.40% | 95.37% | 95.49% | 95.71% | 95.85% | 95.86% |
| State's proportionate share of Net Pension liability | $ 9,265,778 | $ 10,855,754 | $ 19,091,149 | $ 17,539,728 | $ 10,079,252 | $ 9,016,144 | $ 8,539,181 |
| State's covered payroll | $ 3,376,294 | $ 3,262,962 | $ 2,796,014 | $ 2,751,094 | $ 2,687,152 | $ 2,586,800 | $ 2,570,286 |
| State's proportionate share of the net pension liability as a percentage of its covered payroll | 274.44% | 332.70% | 682.80% | 637.55% | 375.09% | 348.54% | 332.23% |
| Plan fiduciary net position as a percentage of the total pension liability | 62.24% | 55.11% | 43.20% | 42.59% | 56.11% | 59.84% | 61.00% |

**Judicial Division**

(Amounts In Thousands)

| | CY 2019 | CY 2018 | CY 2017 | CY 2016 | CY 2015 | CY 2014 | CY 2013 |
|---|---|---|---|---|---|---|---|
| State's proportion of the net pension liability | 94.28% | 94.06% | 93.99% | 94.17% | 93.98% | 93.60% | 93.44% |
| State's proportionate share of Net Pension liability | $ 85,727 | $ 132,873 | $ 218,136 | $ 239,423 | $ 172,824 | $ 129,499 | $ 102,756 |
| State's covered payroll | $ 55,934 | $ 55,706 | $ 46,764 | $ 46,320 | $ 44,159 | $ 40,114 | $ 37,203 |
| State's proportionate share of the net pension liability as a percentage of its covered payroll | 153.27% | 238.52% | 466.46% | 516.89% | 391.37% | 322.83% | 276.20% |
| Plan fiduciary net position as a percentage of the total pension liability | 80.02% | 68.48% | 58.70% | 53.19% | 60.13% | 66.89% | 77.41% |

**Denver Public Schools Division**

(Amounts In Thousands)

| | CY 2019 | CY 2018 |
|---|---|---|
| State's proportion of the net pension liability | 30.71% | 34.13% |
| State's proportionate share of Net Pension liability | $ 202,321 | $ 349,095 |
| Plan fiduciary net position as a percentage of the total pension liability | 84.73% | 75.69% |

**Schools Division**

(Amounts In Thousands)

| | CY 2019 | CY 2018 |
|---|---|---|
| State's proportion of the net pension liability | 11.26% | 12.03% |
| State's proportionate share of Net Pension liability | $ 1,681,628 | $ 2,129,952 |
| Plan fiduciary net position as a percentage of the total pension liability | 64.52% | 57.01% |

**State Division as a Non-Employer Contributing Entity**

(Amounts In Thousands)

| | CY 2019 | CY 2018 |
|---|---|---|
| State's proportion of the net pension liability | 0.51% | 0.55% |
| State's proportionate share of Net Pension liability | $ 49,203 | $ 62,292 |

**Judicial Division as a Non-Employer Contributing Entity**

(Amounts In Thousands)

| | CY 2019 | CY 2018 |
|---|---|---|
| State's proportion of the net pension liability | 0.64% | 0.85% |
| State's proportionate share of Net Pension liability | $ 582 | $ 1,199 |

**Contributions:**

The following schedule presents a ten-year history of the State’s (primary government’s) contribution to PERA for the State and Judicial Divisions for each fiscal year ending June 30. For the Fiscal Year 2020 and 2019 State and Judicial Trust Divisions, figures reported for the contributions as a percentage of covered payroll differs from the actual employer contribution rate specified in statute due to additional contractually required contributions directly distributed to PERA in accordance with Senate Bill 18-200. In addition, the State made contractually required non-employer contributions to the Fiscal Year 2020 and 2019 State and Judicial Trust Divisions that are not reflected in the tables below (see Note 6 for additional information).

**State & Judicial Division**

| (Amounts In Thousands) | FY2020 | FY2019 | FY2018 | FY2017 | FY2016 | FY2015 | FY2014 | FY2013 | FY2012 | FY2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contributions | $ 685,396 | $ 649,516 | $ 549,049 | $ 524,478 | $ 492,159 | $ 453,406 | $ 419,912 | $ 368,468 | $ 276,326 | $ 256,682 |
| Contributions in relation to the contractually required contributions | (685,396) | (649,516) | (549,049) | (524,478) | (492,159) | (453,406) | (419,912) | (368,468) | (276,326) | (256,682) |
| Contribution deficiency(excess) | - | - | - | - | - | - | - | - | - | - |
| State's covered payroll | 3,513,083 | 3,377,180 | 2,877,013 | 2,813,660 | 2,771,749 | 2,687,237 | 2,628,458 | 2,520,793 | 2,453,455 | 1,998,390 |
| Contributions as a percentage of covered payroll | 19.51% | 19.23% | 19.08% | 18.64% | 17.76% | 16.87% | 15.98% | 14.62% | 11.26% | 12.84% |

**State Division**

| | FY2020 | FY2019 | FY2018 | FY2017 | FY2016 | FY2015 | FY2014 | FY2013 | FY2012 | FY2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contributions | 673,795 | 639,485 | 541,295 | 516,932 | 484,588 | $ 446,528 | $ 413,694 | $ 362,791 | $ 272,068 | $ 252,727 |
| Contributions in relation to the contractually required contributions | (673,795) | (639,485) | (541,295) | (516,932) | (484,588) | (446,528) | (413,694) | (362,791) | (272,068) | (252,727) |
| Contribution deficiency(excess) | - | - | - | - | - | - | - | - | - | - |
| State's covered payroll | 3,455,535 | 3,320,884 | 2,829,559 | 2,767,479 | 2,725,417 | 2,645,149 | 2,590,401 | 2,479,774 | 2,422,689 | 1,969,813 |
| Contributions as a percentage of covered payroll | 19.50% | 19.26% | 19.13% | 18.68% | 17.78% | 16.88% | 15.97% | 14.63% | 11.23% | 12.83% |

**Judicial Division**

| | FY2020 | FY2019 | FY2018 | FY2017 | FY2016 | FY2015 | FY2014 | FY2013 | FY2012 | FY2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contributions | $ 11,601 | $ 10,031 | $ 7,754 | $ 7,546 | $ 7,571 | $ 6,878 | $ 6,218 | $ 5,677 | $ 4,258 | $ 3,955 |
| Contributions in relation to the contractually required contributions | (11,601) | (10,031) | (7,754) | (7,546) | (7,571) | (6,878) | (6,218) | (5,677) | (4,258) | (3,955) |
| Contribution deficiency(excess) | - | - | - | - | - | - | - | - | - | - |
| State's covered payroll | 57,548 | 56,296 | 47,454 | 46,181 | 46,332 | 42,088 | 38,057 | 41,019 | 30,766 | 28,577 |
| Contributions as a percentage of covered payroll | 20.16% | 17.82% | 16.34% | 16.34% | 16.34% | 16.34% | 16.34% | 13.84% | 13.84% | 13.84% |

The following schedule presents a two-year history of the State’s (primary government’s) Senate Bill 18-200 contractually required contributions to PERA for the Denver Public Schools and Schools Divisions, and the State and Judicial Divisions for which the State is a non-employer contributing entity for each fiscal year ending June 30.

**Denver Public Schools Division**

| | FY2020 | FY2019 |
|---|---|---|
| Contractually required contributions | $ 19,201 | $ 18,622 |
| Contributions in relation to the contractually required contributions | (19,201) | (18,622) |
| Contribution deficiency(excess) | - | - |

**Schools Division**

| | FY2020 | FY2019 |
|---|---|---|
| Contractually required contributions | $ 127,367 | $ 126,505 |
| Contributions in relation to the contractually required contributions | (127,367) | (126,505) |
| Contribution deficiency(excess) | - | - |

**State Division as a Non-Employer Contributing Entity**

| | FY2020 | FY2019 |
|---|---|---|
| Contractually required contributions | $ 3,480 | $ 3,607 |
| Contributions in relation to the contractually required contributions | (3,480) | (3,607) |
| Contribution deficiency(excess) | - | - |

**Judicial Division as a Non-Employer Contributing Entity**

| | FY2020 | FY2019 |
|---|---|---|
| Contractually required contributions | $ 77 | $ 82 |
| Contributions in relation to the contractually required contributions | (77) | (82) |
| Contribution deficiency(excess) | - | - |

## B. SIGNFICANT CHANGES IN ASSUMPATIONS OR OTHER INPUTS AFFECTING TRENDS IN ACTUARIAL INFORMATION

2019 Changes in Assumptions or Other Inputs Since 2018

- The assumption used to value the AI cap benefit provision was changed from 1.50 percent to 1.25 percent.

2018 Changes in Assumptions or Other Inputs Since 2017

- The single equivalent interest rate (SEIR) for the State Division was increased from 4.72 percent to 7.25 percent to reflect the changes to the projection's valuation basis which no longer resulted in a projected year of depletion of the fiduciary net position (FNP), thereby eliminating the need to apply the municipal bond index rate.

- The SEIR for the School Division was increased from 4.78 percent to 7.25 percent to reflect the changes to the projection's valuation basis which no longer resulted in a projected year of depletion of the FNP, thereby eliminating the need to apply the municipal bond index rate.

- The SEIR for the Judicial Division was increased from 5.41 percent to 7.25 percent to reflect the changes to the projection's valuation basis which no longer resulted in a projected year of depletion of the FNP, thereby eliminating the need to apply the municipal bond index rate.

2017 Changes in Assumptions or Other Inputs Since 2016

- The SEIR for the State Division was lowered from 5.26 percent to 4.72 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate.

- The SEIR for the Judicial Division was increased from 5.18 percent to 5.41 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate.

- The municipal bond index rate used in the determination of the SEIR for the State and Judicial Divisions changed from 3.86 percent on the prior measurement date to 3.43 percent on the measurement date.

2016 Changes in Assumptions or Other Inputs Since 2015

- The investment return assumption was lowered from 7.50 percent to 7.25 percent.

- The price inflation assumption was lowered from 2.80 percent to 2.40 percent.

- The wage inflation assumption was lowered from 3.90 percent to 3.50 percent.

- The post-retirement mortality assumption for healthy lives for the State Division was changed to the RP-2014 Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 73 percent factor applied to ages below 80 and a 108 percent factor applied to age 80 and above, projected to 2018, for males, and a 78 percent factor applied to ages below 80 and a 109 percent factor applied to age 80 and above, projected to 2020, for females.

- The post-retirement mortality assumption for healthy lives for the Judicial Division was changed to the RP-2014 White Collar Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 93 percent factor applied to ages below 80 and a 113 percent factor applied to age 80 and above, projected to 2018, for males, and a 68 percent factor applied to ages below 80 and a 106 percent factor applied to age 80 and above, projected to 2020, for females.

- For disabled retirees, the mortality assumption was changed to reflect 90 percent of RP-2014 Disabled Retiree Mortality Table.
- The mortality assumption for active members was changed to RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

- The rates of retirement, withdrawal, and disability were revised to reflect more closely actual experience.

- The estimated administrative expense as a percentage of covered payroll was increased from 0.35 percent to 0.40 percent.

- The SEIR for the State Division was lowered from 7.50 percent to 5.26 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate of 3.86 percent on the measurement date.

- The SEIR for the Judicial Division was lowered from 5.73 percent to 5.18 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate from 3.57 percent on the prior measurement date to 3.86 percent on the measurement date.

015 Changes in Assumptions or Other Inputs Since 2014

- The SEIR for the Judicial Division was lowered from 6.14 percent to 5.73 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate from 3.70 percent on the prior measurement date to 3.57 percent on the measurement date.

- The following programming changes were made:

    - Valuation of the full survivor benefit without any reduction for possible remarriage.
    - Reflection of the employer match on separation benefits for all eligible years.
    - Reflection of one year of service eligibility for survivor annuity benefit.
    - Refinement of the 18-month AI timing.
    - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

- The following methodology changes were made:

- Recognition of merit salary increases in the firs projection year.
- Elimination of the assumption that 35 percent of future disabled members elect to receive a refund.
- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
- Adjustments to the timing of the normal cost and UAAL payment calculations to reflect contributions throughout the year.

2014 Changes in Assumptions or Other Inputs Since 2013

- The SEIR for the Judicial Division was lowered from 6.66 percent to 6.14 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate from 4.73 percent on the prior measurement date to 3.70 percent on the measurement date.

2013 Changes in Assumptions or Other Inputs Since 2012

- The investment return assumption was lowered from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 3.50 percent to 2.80 percent.
- The wage inflation assumption was lowered from 4.25 percent to 3.90 percent.

**NOTE RSI-3 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) INFORMATION**

**A. PROPORTIONATE SHARE OF PERA HEALTH CARE TRUST FUNDS OPEB LIBILITY AND CONTRIBUTIONS**

**Proportionate Share:**

The State's Health Care Trust Fund (HFTC) – a defined benefit cost-sharing multiple-employer other post-employment benefit plan – is administered by the Public Employees' Retirement Association (PERA). The schedule below presents the State's (primary government's) proportionate share of the net OPEB liability for its OPEB plan. The amounts presented were determined as of the measurement date, which is the calendar year-end that occurred within the State's fiscal year. Information is not available prior to Calendar Year 2016.

| (Amounts In Thousands) | CY 2019 | CY 2018 | CY 2017 | CY 2016 |
|---|---|---|---|---|
| State's proportion (percentage) of the collective net OPEB liability | 32.75% | 33.40% | 33.71% | 33.83% |
| State's proportionate share of the collective net OPEB liability | $ 368,098 | $ 454,363 | $ 438,113 | $ 438,677 |
| State's covered payroll | $ 3,023,000 | $ 2,923,641 | $ 2,842,778 | $ 2,797,414 |
| State's proportionate share of the collective net OPEB liability as a percentage of its covered payroll | 12.18% | 15.54% | 15.41% | 15.68% |
| Fiduciary net position as a percentage of the total OPEB liability | 24.49% | 17.03% | 17.53% | 16.72% |

**Contributions:**

The following schedule presents a ten-year history of the State's (primary government's) contribution to PERA for the HCTF as of each fiscal year ending June 30:

| (Amounts In Thousands) | FY 2020 | FY 2019 | FY 2018 | FY 2017 | FY 2016 | FY 2015 | FY 2014 | FY 2013 | FY 2012 | FY 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contributions | $ 31,659 | $ 30,171 | $ 29,346 | $ 28,699 | $ 28,272 | $ 27,410 | $ 26,810 | $ 25,712 | $ 25,025 | $ 20,384 |
| Contributions in relation to the contractually required contributions | (31,659) | (30,171) | (29,346) | (28,699) | (28,272) | (27,410) | (26,810) | (25,712) | (25,025) | (20,384) |
| Contribution deficiency(excess) | - | - | - | - | - | - | - | - | - | - |
| State's covered payroll | 3,103,809 | 2,957,937 | 2,877,013 | 2,813,660 | 2,771,749 | 2,687,237 | 2,628,458 | 2,520,793 | 2,453,455 | 1,998,390 |
| Contributions as a percentage of covered payroll | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% |

**B. CHANGES IN THE TOTAL UNIVERSITY OPEB LIABILITY AND RELATED RATIOS – UNIVERSITY OF COLORADO SYSTEM**

## CHANGES IN TOTAL UNIVERSITY OPEB LIABILITY AND RELATED RATIOS

| | Fiscal Year Ending June 30: | | |
|---|---|---|---|
| **University OPEB Plan** (Amounts in Thousands) | **2020** | **2019** | **2018** |
| Service cost | $ 53,400 | 49,754 | 53,099 |
| Interest cost | 34,254 | 28,404 | 24,648 |
| Changes in benefit terms | - | - | - |
| Differences between expected and actual experience | (206,938) | (1,728) | (87,654) |
| Changes of assumptions | 3,678 | 35,919 | (46,406) |
| Benefit payments | (15,461) | (15,163) | (17,211) |
| Net change in total OPEB liability | (131,067) | 97,186 | (73,524) |
| Total OPEB liability (beginning) | 843,959 | 746,773 | 820,297 |
| Total OPEB liability (ending) | 712,892 | 843,959 | 746,773 |
| Covered-employee payroll | $ 1,719,840 | 1,663,010 | 1,475,177 |
| Total OPEB liability as a % of payroll | 41.45% | 50.75% | 50.62% |

## C. SIGNFICANT CHANGES IN ASSUMPATIONS OR OTHER INPUTS AFFECTING TRENDS IN ACTUARIAL INFORMATION

PERA Health Care Trust Fund

There were no significant changes in assumptions or other inputs effective for the December 31, 2019, December 31, 2018, or December 31, 2017 measurement periods for the PERA HCTF.

University of Colorado OPEB

Changes in assumptions or other inputs effective for the June 30, 2019 measurement date are as follows:

- Discount rate changed from 3.85 percent to 3.50 percent.
- Mortality table was updated from the PUB-2010 "Teachers" table with generational projection using Scale MP-2018 to the PUB-2010 "Teachers" table with generational projection using Scale MP-2019.
- Health care trend rates were updated.
- Health care claim costs and retiree contributions were updated based upon recent expenditures.

Changes in assumptions or other inputs effective for the June 30, 2018 measurement date are as follows:

- Discount rate changed from 3.60 percent to 3.85 percent.
- Mortality table was updated to reflect the Public Retirement Plans Mortality Tables Report issued by the Society of Actuaries in January 2019. The specific assumption used the PUB-2010 Teachers Classification Table with generational projection using Scale MP-2018. The impact of this change was an increase in Total OPEB Liability of about 8 percent.

Changes in assumptions or other inputs effective for the June 30, 2017 measurement date are as follows:

- Discount rate changed from 2.85 percent to 3.60 percent.
- Health care trend rates were updated.
- Spouse age differential changed from zero years for males and females to spouses two years younger for males and one year older for females.
- Spouse coverage assumption changed from 54 percent for males and 22 percent for females to 60 percent for males and 40 percent for females for PERA participants.
- The following assumptions were updated based on the December 31, 2015 Colorado PERA assumption study:
    - Mortality Rates
    - Withdrawal Rates
    - Retirement rates (apply to PERA participants only)

**BUDGETARY COMPARISON SCHEDULE**
**GENERAL FUND - GENERAL PURPOSE REVENUE COMPONENT**
**FOR THE YEAR ENDED JUNE 30, 2020**
(DOLLARS IN THOUSANDS)

| | Forecasted / Budgeted Amounts | | Actual Amounts | |
|---|---|---|---|---|
| | Original | Final | Budgetary Basis | Variance |
| Budgetary fund balance, July 1 | $ 448,345 | $ 448,345 | $ 448,345 | |
| Resources (Inflows): | | | | |
| Sales and use tax | 3,829,300 | 3,820,100 | 3,651,976 | $ (168,124) |
| Other excise taxes | 105,100 | 106,000 | 106,979 | 979 |
| Individual income tax, net | 7,833,930 | 7,909,560 | 8,056,100 | 146,540 |
| Corporate income tax, net | 879,170 | 789,440 | 670,434 | (119,006) |
| Insurance tax | 327,800 | 327,100 | 337,418 | 10,318 |
| Pari-mutuel, courts, and other | 29,100 | 29,100 | 39,546 | 10,446 |
| Investment income | 14,900 | 28,100 | 31,090 | 2,990 |
| Transfers-in from other funds | 19,000 | 70,300 | 186,727 | 116,427 |
| Amounts available for appropriation | 13,486,645 | 13,528,045 | 13,528,615 | 570 |
| Charges to appropriations (outflows): | | | | |
| Agriculture | 12,099 | 12,099 | 12,035 | 64 |
| Corrections | 885,094 | 884,108 | 874,064 | 10,044 |
| Education | 4,406,928 | 4,415,090 | 4,412,483 | 2,607 |
| Governor | 53,353 | 47,186 | 45,336 | 1,850 |
| Health Care Policy and Financing | 3,157,427 | 2,961,102 | 2,957,290 | 3,812 |
| Higher Education | 1,116,841 | 1,111,209 | 1,110,938 | 271 |
| Human Services | 1,056,022 | 1,018,361 | 1,009,570 | 8,791 |
| Judicial Branch | 616,146 | 606,133 | 594,069 | 12,064 |
| Labor and Employment | 25,834 | 25,536 | 25,264 | 272 |
| Law | 18,718 | 18,728 | 17,746 | 982 |
| Legislative Branch | 55,211 | 55,174 | 53,940 | 1,234 |
| Local Affairs | 50,805 | 47,448 | 46,361 | 1,087 |
| Military and Veterans Affairs | 11,616 | 11,284 | 10,967 | 317 |
| Natural Resources | 35,668 | 34,790 | 34,408 | 382 |
| Personnel and Administration | 17,757 | 16,348 | 16,244 | 104 |
| Public Health and Environment | 61,159 | 61,647 | 60,608 | 1,039 |
| Public Safety | 166,108 | 168,235 | 163,847 | 4,388 |
| Regulatory Agencies | 2,373 | 2,373 | 2,352 | 21 |
| Revenue | 229,756 | 448,954 | 426,945 | 22,009 |
| State | 8,419 | 8,419 | 9,451 | (1,032) |
| Treasury | 839,791 | 803,124 | 670,501 | 132,623 |
| Nondepartmental: | | | | |
| Transfers-out to capital projects fund | - | 112,692 | 112,692 | - |
| Total charges to appropriations | 12,827,125 | 12,870,040 | 12,667,111 | 202,929 |
| Budgetary reserves and amounts not forecasted or budgeted: | | | | |
| Decrease in Contingency reserve - C.R.S. 24-75-201.1 | 452,900 | 452,900 | 452,900 | |
| Release of prior year State Controller approved rollforwards | | | 33,264 | |
| State Controller approved rollforwards | | | (35,241) | |
| Net of revenues not forecasted and expenditures not budgeted | | | 148,952 | |
| Total budgetary reserves and amounts not forecasted or budgeted | 452,900 | 452,900 | 599,875 | |
| Budgetary fund balance, June 30 | $ 1,112,420 | $ 1,110,905 | $ 1,461,379 | |

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

**BUDGETARY COMPARISON SCHEDULE**
**GENERAL FUND- GENERAL PURPOSE REVENUE COMPONENT**
**BUDGET-TO-GAAP RECONCILIATION**
**FOR THE YEAR ENDED JUNE 30, 2020**
(DOLLARS IN THOUSANDS)

**Explanation of differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures**

| | | |
|---|---|---|
| **Sources/inflows of resources:** | | |
| Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule. | $ | 13,528,615 |
| Differences - budget to GAAP: | | |
| The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes. | | (448,345) |
| Federal revenues not forecasted | | 6,643,629 |
| Fee revenues and other funding sources not forecasted | | 829,922 |
| Other revenues not forecasted | | (33,694) |
| Deferred Medicaid revenues are excluded from inflows of budgetary resources but are revenues for financial reporting purposes - C.R.S. 24-75-201(2)(a)(II). | | 61,887 |
| Fair value of investments in excess of cost is excluded from inflows of budgetary resources but is revenue for financial reporting purposes. | | 3,070 |
| Eliminations of transfers and intrafund transactions are not made in the budgetary funds if those transactions are under budgetary control | | (478,195) |
| Transfers are inflows of budgetary resources but are other financing sources for financial reporting purposes. | | (357,278) |
| Capital lease proceeds are inflows of budgetary resources but are not revenues for financial reporting purposes. | | (515) |
| Insurance recoveries are not revenues for financial reporting purposes. | | (72) |
| Total revenues as reported on the combining statement of revenues, expenditures, and changes in fund balances - general fund components | $ | 19,749,024 |
| **Uses/outflows of resources and reserves:** | | |
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule. | | 12,667,111 |
| Differences - budget to GAAP: | | |
| Expenditures of federal grants and contracts not budgeted | | 6,647,963 |
| Fee revenue and other funding uses not budgeted | | 778,726 |
| Other expenditures not budgeted | | (135,784) |
| Transfers to other funds are outflows of budgetary resources but are other financing uses for financial reporting purposes. | | (5,448,572) |
| Deferred Medicaid expenditures are excluded from outflows of budgetary resources but are expenditures for financial reporting purposes - C.R.S. 24-75-201(2)(a)(II). | | 125,529 |
| Deferred payroll expenditures are excluded from outflows of budgetary resources but are expenditures for financial reporting purposes - C.R.S. 24-75-201(2)(a)(III). | | 117,994 |
| Deferred information technology expenditures are excluded from outflows of budgetary resources but are expenditures for financial reporting purposes - C.R.S. 24-75-201(2)(a)(IV). | | 371 |
| Eliminations of transfers and intrafund transactions are not made in the budgetary funds if those transactions are under budgetary control. | | (478,195) |
| Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances—general fund components | $ | 14,275,143 |

## NOTE RSI-4

## BUDGETARY COMPARISON SCHEDULE
## GENERAL FUND – GENERAL PURPOSE REVENUE COMPONENT

The State of Colorado reports components of the General Fund segregated by revenues being either general purpose or special purpose. Special purpose revenues are fund component revenues which are not of a sufficient original source to qualify for reporting as a special revenue fund. The special purpose components of the General Fund are: State Public Schools, Risk Management, and Other Special Purpose. General purpose revenues are not designated for a specific purpose and are reported in the General Purpose Revenue component of the General Fund. The General Purpose Revenue component of the General Fund is the primary operating fund of the state and is used to account for all financial resources and activity not required to be accounted for in another fund. Refer to the Supplementary Information section for additional information on the General Fund components and combining statements for the General Fund.

This schedule is presented primarily to report the change in budgetary fund balance from the prior fiscal year. The change in budgetary fund balance, as reconciled to the state's financial statements, supports the state's budgetary process. Ending budgetary fund balance on this schedule combined with relevant revenue forecasts are used to determine the total amount to be appropriated for the following fiscal year.

Beginning budgetary fund balances, resources (inflows), and amounts available for appropriation for the original budget and final budget are based on quarterly economic forecasts prepared by the Governor's Office of State Planning and Budgeting. Beginning budgetary fund balance and resources (inflows) in the actual amounts column reconcile to the state's accounting system. The March 2019 forecast is used for the original budget and the December 2019 forecast is used for the final budget. Charges to appropriations (outflows) for original and final budget are derived from budgeted expenditures recorded in the state's accounting system and agree to appropriations made by the General Assembly.

The original and final budget does not include budgeted amounts for federal grants and contracts, fees and other funding sources/uses, and revenues/expenditures not budgeted because they are currently not forecasted by the Office of State Planning and Budget. Amounts are included in the actual column because the activity is accounted for in this component of the General Fund.

Certain state laws result in budget-to-GAAP differences. C.R.S. 24-75-201(2)(a)(II) excludes Medicaid revenues from inflows of budgetary resources but they are revenues for financial reporting. C.R.S. 24-75-201(2)(a)(III) excludes Medicaid expenditures from outflows of budgetary resources but they are expenditures for financial reporting. C.R.S. 24-75-201(2)(a)(IV) excludes some payroll-related expenditures from outflows of budgetary resources but they are expenditures for financial reporting. C.R.S. 24-75-201(2)(a)(IV) excludes specific information technology expenditures from outflows of budgetary resources but they are expenditures for financial reporting purposes. Refer to the Budget-to-GAAP Reconciliation for amounts related to these statutorily-based budget-to-GAAP differences as well as for information on other budget-to-GAAP differences.

State law (C.R.S. 24-75-201.1) restricts state appropriations from this component of the General Fund so that budgetary resources will be available for use in a state fiscal emergency. A state fiscal emergency may be declared by the passage of a joint resolution which is approved by a two-thirds majority vote of the members of both houses of the General Assembly and approved by the Governor. The reserve for Fiscal Year 2020 is $361.3 million. The reserve is included in this schedule and therefore beginning and ending budgetary fund balance are net of the required reserve. A positive ending budgetary fund balance in the actual column indicates a reserve maintained in compliance with state law.

# SUPPLEMENTARY INFORMATION

# GENERAL FUND COMPONENTS

For legal compliance purposes, the General Fund is is segregated into the following components:

| | |
|---|---|
| GENERAL PURPOSE REVENUE | This fund is the general operating fund for state operations and is used unless another fund has been established for a particular activity. The fund consists of general purpose revenues from various tax collections the largest being income and sales taxes. |
| SPECIAL PURPOSE FUNDS | The State Public School fund is a statutory fund that distributes substantially all of its resources to school districts each year; most of the funds' resources are transfers into the fund from the General Purpose Revenue Fund. |
| | The Risk Management fund accounts for the State's liability, property, and worker's compensation insurance activities; its revenues are primarily from charges to State agencies. |
| | The Other Special Purpose Fund comprises all other funds without sufficient original source revenues to qualify as Special Revenue Funds. Included in this category is the Building Excellent Schools Tomorrow (BEST) program that provides grants and funds for public school construction, Lottery proceeds held by the Division of Parks and Wildlife for parks and outdoor recreation projects, the Charter School Institute, as well as over thirty smaller funds. |

**COMBINING BALANCE SHEET**
**GENERAL FUND COMPONENTS**
**JUNE 30, 2020**

| (DOLLARS IN THOUSANDS) | GENERAL PURPOSE REVENUE | SPECIAL PURPOSE FUNDS STATE PUBLIC SCHOOL | RISK MANAGEMENT | OTHER SPECIAL PURPOSE | TOTAL | INTRA-FUND RECEIVABLE ELIMINATIONS | TOTAL |
|---|---|---|---|---|---|---|---|
| ASSETS: | | | | | | | |
| Cash and Pooled Cash | $ 1,690 | $ 1,142 | $ 37,519 | $ 187,926 | $ 228,277 | $ - | $ 228,277 |
| Taxes Receivable, net | 2,864,172 | - | - | - | 2,864,172 | - | 2,864,172 |
| Other Receivables, net | 441,788 | 2,494 | 605 | 252 | 445,139 | - | 445,139 |
| Due From Other Governments | 766,319 | 1,538 | - | 143 | 768,000 | - | 768,000 |
| Due From Other Funds | 59,243 | - | - | 31,116 | 90,359 | (20,302) | 70,057 |
| Inventories | 14,343 | - | - | - | 14,343 | - | 14,343 |
| Prepaids, Advances and Deposits | 69,277 | - | 193 | 74 | 69,544 | - | 69,544 |
| Restricted Assets: | | | | | | | |
| Restricted Cash and Pooled Cash | 4 | 15,702 | - | 534,928 | 550,634 | - | 550,634 |
| Restricted Receivables | - | - | - | 9,840 | 9,840 | - | 9,840 |
| Investments | 12,005 | - | - | 323,516 | 335,521 | - | 335,521 |
| Other Long-Term Assets | 59 | - | - | 18,547 | 18,606 | - | 18,606 |
| TOTAL ASSETS | $ 4,228,900 | $ 20,876 | $ 38,317 | $ 1,106,342 | $ 5,394,435 | $ (20,302) | $ 5,374,133 |
| LIABILITIES: | | | | | | | |
| Tax Refunds Payable | $ 942,102 | $ - | $ - | $ - | $ 942,102 | $ - | $ 942,102 |
| Accounts Payable and Accrued Liabilities | 798,011 | 60 | 1,257 | 46,567 | 845,895 | - | 845,895 |
| TABOR Refund Liability (Note 2B) | 143,993 | - | - | - | 143,993 | - | 143,993 |
| Due To Other Governments | 269,538 | - | - | 24,479 | 294,017 | - | 294,017 |
| Due To Other Funds | 352,415 | - | 3,560 | 9,742 | 365,717 | (20,302) | 345,415 |
| Unearned Revenue | 204,282 | - | - | 285 | 204,567 | - | 204,567 |
| Claims and Judgments Payable | 726 | - | - | - | 726 | - | 726 |
| Other Current Liabilities | 13,746 | - | - | 30 | 13,776 | - | 13,776 |
| Deposits Held In Custody For Others | 118 | - | - | 352 | 470 | - | 470 |
| TOTAL LIABILITIES | 2,724,931 | 60 | 4,817 | 81,455 | 2,811,263 | (20,302) | 2,790,961 |
| DEFERRED INFLOW OF RESOURCES: | 181,353 | 225 | - | - | 181,578 | - | 181,578 |
| FUND BALANCES: | | | | | | | |
| Nonspendable: | | | | | | | |
| Inventories | 14,343 | - | - | - | 14,343 | - | 14,343 |
| Prepaids | 69,165 | - | 193 | 74 | 69,432 | - | 69,432 |
| Restricted | - | - | - | 823,528 | 823,528 | - | 823,528 |
| Committed | 361,300 | 20,591 | 33,307 | 201,285 | 616,483 | - | 616,483 |
| Assigned | 35,241 | - | - | - | 35,241 | - | 35,241 |
| Unassigned | 842,567 | - | - | - | 842,567 | - | 842,567 |
| TOTAL FUND BALANCES | 1,322,616 | 20,591 | 33,500 | 1,024,887 | 2,401,594 | - | 2,401,594 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | $ 4,228,900 | $ 20,876 | $ 38,317 | $ 1,106,342 | $ 5,394,435 | $ (20,302) | $ 5,374,133 |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GENERAL FUND COMPONENTS FOR THE YEAR ENDED JUNE 30, 2020**

| (DOLLARS IN THOUSANDS) | GENERAL PURPOSE REVENUE | SPECIAL PURPOSE FUNDS: STATE PUBLIC SCHOOLS | SPECIAL PURPOSE FUNDS: RISK MANAGEMENT | SPECIAL PURPOSE FUNDS: OTHER SPECIAL PURPOSE | TOTAL | INTRA-FUND TRANSFER ELIMINATIONS | TOTAL |
|---|---|---|---|---|---|---|---|
| REVENUES: | | | | | | | |
| Taxes: | | | | | | | |
| Individual and Fiduciary Income | $ 8,056,100 | $ - | $ - | $ - | $ 8,056,100 | $ - | $ 8,056,100 |
| Corporate Income | 670,434 | - | - | - | 670,434 | - | 670,434 |
| Sales and Use | 3,651,976 | - | - | - | 3,651,976 | - | 3,651,976 |
| Excise | 106,980 | - | - | - | 106,980 | - | 106,980 |
| Other Taxes | 337,766 | - | - | - | 337,766 | - | 337,766 |
| Licenses, Permits, and Fines | 18,670 | - | - | 1,919 | 20,589 | - | 20,589 |
| Charges for Goods and Services | 22,365 | - | 58,840 | 314 | 81,519 | - | 81,519 |
| Rents | 164 | - | - | 2 | 166 | - | 166 |
| Investment Income (Loss) | 43,454 | 15 | 2,152 | 39,929 | 85,550 | - | 85,550 |
| Federal Grants and Contracts | 6,678,397 | - | - | 11,935 | 6,690,332 | - | 6,690,332 |
| Other | 162,718 | 2,640 | 14 | 32,745 | 198,117 | - | 198,117 |
| TOTAL REVENUES | 19,749,024 | 2,655 | 61,006 | 86,844 | 19,899,529 | - | 19,899,529 |
| EXPENDITURES: | | | | | | | |
| Current: | | | | | | | |
| General Government | 201,474 | 176 | 61,164 | 4,254 | 267,068 | - | 267,068 |
| Business, Community, and Consumer Affairs | 157,491 | - | - | 25,595 | 183,086 | - | 183,086 |
| Education | 891,754 | 4,816 | - | 6,379 | 902,949 | - | 902,949 |
| Health and Rehabilitation | 736,944 | - | - | 623 | 737,567 | - | 737,567 |
| Justice | 1,723,737 | - | - | 1 | 1,723,738 | - | 1,723,738 |
| Natural Resources | 42,583 | - | - | - | 42,583 | - | 42,583 |
| Social Assistance | 8,093,660 | - | - | 18,279 | 8,111,939 | - | 8,111,939 |
| Capital Outlay | 26,430 | - | - | 221,135 | 247,565 | - | 247,565 |
| Intergovernmental: | | | | | | | |
| Cities | 67,238 | - | - | 39,408 | 106,646 | - | 106,646 |
| Counties | 1,319,415 | - | - | 14,334 | 1,333,749 | - | 1,333,749 |
| School Districts | 770,282 | 4,110,495 | - | 284,354 | 5,165,131 | - | 5,165,131 |
| Special Districts | 50,336 | - | - | 19,795 | 70,131 | - | 70,131 |
| Federal | 14 | - | - | - | 14 | - | 14 |
| Other | 180,456 | - | - | 174 | 180,630 | - | 180,630 |
| Debt Service | 13,329 | - | - | 73,801 | 87,130 | - | 87,130 |
| TOTAL EXPENDITURES | 14,275,143 | 4,115,487 | 61,164 | 708,132 | 19,159,926 | - | 19,159,926 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 5,473,881 | (4,112,832) | (158) | (621,288) | 739,603 | - | 739,603 |
| OTHER FINANCING SOURCES (USES): | | | | | | | |
| Transfers-In | 357,278 | 4,245,459 | 2 | 520,078 | 5,122,817 | (4,556,720) | 566,097 |
| Transfers-Out | (5,448,571) | (138,616) | (1,791) | (119,643) | (5,708,621) | 4,556,720 | (1,151,901) |
| Face Amount of Bond/COP Issuance | - | - | - | 165,805 | 165,805 | - | 165,805 |
| Bond/COP Premium/Discount | - | - | - | 25,833 | 25,833 | - | 25,833 |
| Issuance of Capital Leases | 515 | - | - | - | 515 | - | 515 |
| Insurance Recoveries | 72 | - | 858 | - | 930 | - | 930 |
| TOTAL OTHER FINANCING SOURCES (USES) | (5,090,706) | 4,106,843 | (931) | 592,073 | (392,721) | - | (392,721) |
| NET CHANGE IN FUND BALANCES | 383,175 | (5,989) | (1,089) | (29,215) | 346,882 | - | 346,882 |
| FUND BALANCE, FISCAL YEAR BEGINNING | 947,636 | 26,580 | 34,589 | 1,054,102 | 2,062,907 | - | 2,062,907 |
| Prior Period Adjustment (See Note 15A) | (8,195) | - | - | - | (8,195) | - | (8,195) |
| FUND BALANCE, FISCAL YEAR BEGINNING (RESTATED) | 939,441 | 26,580 | 34,589 | 1,054,102 | 2,054,712 | - | 2,054,712 |
| FUND BALANCE, FISCAL YEAR END | $ 1,322,616 | $ 20,591 | $ 33,500 | $ 1,024,887 | $ 2,401,594 | $ - | $ 2,401,594 |

# CAPITAL PROJECTS FUND COMPONENTS

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. For legal compliance purposes, the Capital Projects Fund is is segregated into the following components:

| | |
|---|---|
| REGULAR CAPITAL PROJECTS | This fund accounts for projects that are either fully or partially funded with general-purpose revenue that is transferred from the General Purpose Revenue Fund. It also includes cash-funded or mixed funded projects. |
| SPECIAL CAPITAL PROJECTS | This fund accounts for certain projects that are not funded with any general-purpose revenue. This includes projects funded with the proceeds of certificates of participation such as the Colorado History Center and the Ralph L. Carr Justice Center, federal projects in the Department of Military Affairs, Lottery-funded projects in the Department of Natural Resources, and several smaller projects. |

## COMBINING BALANCE SHEET
## CAPITAL PROJECTS FUND COMPONENTS
## JUNE 30, 2020

| (DOLLARS IN THOUSANDS) | REGULAR CAPITAL PROJECTS | SPECIAL CAPITAL PROJECTS | TOTAL |
|---|---|---|---|
| ASSETS: | | | |
| Cash and Pooled Cash | $ - | $ 17,129 | $ 17,129 |
| Other Receivables, net | 20 | - | 20 |
| Due From Other Governments | 4,905 | 106 | 5,011 |
| Due From Other Funds | 225,067 | - | 225,067 |
| Prepaids, Advances and Deposits | 50 | - | 50 |
| Restricted Cash and Pooled Cash | - | 5 | 5 |
| Investments | 958,477 | 1,754 | 960,231 |
| TOTAL ASSETS | $ 1,188,519 | $ 18,994 | $ 1,207,513 |
| LIABILITIES: | | | |
| Accounts Payable and Accrued Liabilities | $ 12,364 | $ 535 | $ 12,899 |
| TOTAL LIABILITIES | 12,364 | 535 | 12,899 |
| FUND BALANCES: | | | |
| Nonspendable: | | | |
| Prepaids | 50 | - | 50 |
| Restricted | - | 5 | 5 |
| Committed | 1,176,105 | 18,454 | 1,194,559 |
| TOTAL FUND BALANCES | 1,176,155 | 18,459 | 1,194,614 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | $ 1,188,519 | $ 18,994 | $ 1,207,513 |

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
## CAPITAL PROJECTS FUND COMPONENTS
## FOR THE YEAR ENDED JUNE 30, 2020

| (DOLLARS IN THOUSANDS) | REGULAR CAPITAL PROJECTS | SPECIAL CAPITAL PROJECTS | TOTAL |
|---|---|---|---|
| REVENUES: | | | |
| Investment Income (Loss) | $ 22,461 | $ 658 | $ 23,119 |
| Federal Grants and Contracts | 9,496 | 6,905 | 16,401 |
| Other | 533 | - | 533 |
| TOTAL REVENUES | 32,490 | 7,563 | 40,053 |
| EXPENDITURES: | | | |
| Current: | | | |
| General Government | 9,202 | 4,371 | 13,573 |
| Business, Community, and Consumer Affairs | 19 | - | 19 |
| Education | 1,746 | 336 | 2,082 |
| Health and Rehabilitation | 498 | - | 498 |
| Justice | 9,038 | 475 | 9,513 |
| Social Assistance | 978 | 339 | 1,317 |
| Capital Outlay | 65,466 | 3,836 | 69,302 |
| Intergovernmental: | | | |
| Special Districts | 14 | - | 14 |
| TOTAL EXPENDITURES | 86,961 | 9,357 | 96,318 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (54,471) | (1,794) | (56,265) |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers- In | 189,730 | 10,051 | 199,781 |
| Transfers- Out | (328,503) | (6,653) | (335,156) |
| Face Amount of Bond/COP Issuance | 500,000 | - | 500,000 |
| Bond/COP Premium/Discount | 111,009 | - | 111,009 |
| Sale of Capital Assets | 10,760 | 58 | 10,818 |
| Insurance Recoveries | 741 | 741 | 1,482 |
| TOTAL OTHER FINANCING SOURCES (USES) | 483,737 | 4,197 | 487,934 |
| NET CHANGE IN FUND BALANCES | 429,266 | 2,403 | 431,669 |
| FUND BALANCE, FISCAL YEAR BEGINNING | 746,889 | 16,056 | 762,945 |
| FUND BALANCE, FISCAL YEAR END | $ 1,176,155 | $ 18,459 | $ 1,194,614 |

# OTHER GOVERNMENTAL FUNDS

The following statements present the combining balance sheet for Other Governmental Funds comprising Special Revenue, Debt Service, and Permanent funds.

**Special Revenue Funds-** These funds are used to account for the proceeds of specific revenue sources that are intended for specific purposes other than special assessments or major capital projects.

**Debt Service Funds-** 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-** These funds report resources that are legally restricted to the extent that only earnings, and not principal, may be used to support State programs.

**COMBINING BALANCE SHEET**
**OTHER GOVERNMENTAL FUNDS**
**JUNE 30, 2020**

| (DOLLARS IN THOUSANDS) | SPECIAL REVENUE | DEBT SERVICE | CAPITAL PROJECTS | PERMANENT | TOTALS |
|---|---|---|---|---|---|
| ASSETS: | | | | | |
| Cash and Pooled Cash | $ 2,101,555 | $ - | $ 17,129 | $ - | $ 2,118,684 |
| Taxes Receivable, net | 68,796 | - | - | - | 68,796 |
| Other Receivables, net | 132,242 | - | 20 | 10,990 | 143,252 |
| Due From Other Governments | 29,765 | 341 | 5,011 | - | 35,117 |
| Due From Other Funds | 272,077 | - | 225,067 | - | 497,144 |
| Inventories | 105,795 | - | - | - | 105,795 |
| Prepaids, Advances and Deposits | 35,731 | - | 50 | - | 35,781 |
| Restricted Assets: | | | | | |
| Restricted Cash and Pooled Cash | 364,817 | 218 | 5 | 171,836 | 536,876 |
| Restricted Investments | 1,560 | - | - | 1,208,461 | 1,210,021 |
| Investments | 153,942 | 115,106 | 960,231 | - | 1,229,279 |
| Other Long-Term Assets | 513,040 | - | - | 30,111 | 543,151 |
| TOTAL ASSETS | $ 3,779,320 | $ 115,665 | $ 1,207,513 | $ 1,421,398 | $ 6,523,896 |
| DEFERRED OUTFLOW OF RESOURCES: | - | - | - | 3,027 | 3,027 |
| LIABILITIES: | | | | | |
| Tax Refunds Payable | $ 9,200 | $ - | $ - | $ - | $ 9,200 |
| Accounts Payable and Accrued Liabilities | 201,169 | 1 | 12,899 | 4,504 | 218,573 |
| Due To Other Governments | 37,177 | - | - | 5 | 37,182 |
| Due To Other Funds | 35,195 | - | - | 286 | 35,481 |
| Unearned Revenue | 123,742 | - | - | - | 123,742 |
| Claims and Judgments Payable | 89 | - | - | - | 89 |
| Other Current Liabilities | 5,386 | - | - | - | 5,386 |
| Deposits Held In Custody For Others | 128 | - | - | - | 128 |
| TOTAL LIABILITIES | 412,086 | 1 | 12,899 | 4,795 | 429,781 |
| DEFERRED INFLOW OF RESOURCES: | 6,718 | - | - | - | 6,718 |
| FUND BALANCES: | | | | | |
| Nonspendable: | | | | | |
| Inventories | 105,795 | - | - | - | 105,795 |
| Permanent Fund Principal | - | - | - | 1,398,247 | 1,398,247 |
| Prepaids | 35,731 | - | 50 | - | 35,781 |
| Restricted | 442,816 | 115,664 | 5 | - | 558,485 |
| Committed | 2,776,174 | - | 1,194,559 | 21,383 | 3,992,116 |
| TOTAL FUND BALANCES | 3,360,516 | 115,664 | 1,194,614 | 1,419,630 | 6,090,424 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | $ 3,779,320 | $ 115,665 | $ 1,207,513 | $ 1,424,425 | $ 6,526,923 |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**OTHER GOVERNMENTAL FUNDS**
**FOR THE YEAR ENDED JUNE 30, 2020**

| (DOLLARS IN THOUSANDS) | SPECIAL REVENUE | DEBT SERVICE | CAPITAL PROJECTS | PERMANENT | TOTALS |
|---|---|---|---|---|---|
| REVENUES: | | | | | |
| Taxes: | | | | | |
| Individual and Fiduciary Income | $ 588,830 | $ - | $ - | $ - | $ 588,830 |
| Corporate Income | 57,870 | - | - | - | 57,870 |
| Sales and Use | 37,220 | - | - | - | 37,220 |
| Excise | 225,139 | - | - | - | 225,139 |
| Other Taxes | 258,742 | - | - | - | 258,742 |
| Licenses, Permits, and Fines | 416,265 | - | - | - | 416,265 |
| Charges for Goods and Services | 157,028 | - | - | - | 157,028 |
| Rents | 5,566 | - | - | 146,551 | 152,117 |
| Investment Income (Loss) | 142,194 | 2,333 | 23,119 | 82,747 | 250,393 |
| Federal Grants and Contracts | 269,828 | - | 16,401 | - | 286,229 |
| Additions to Permanent Funds | - | - | - | 580 | 580 |
| Unclaimed Property Receipts | 55,137 | - | - | - | 55,137 |
| Other | 79,828 | - | 533 | 131 | 80,492 |
| TOTAL REVENUES | 2,293,647 | 2,333 | 40,053 | 230,009 | 2,566,042 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General Government | 48,253 | - | 13,573 | 792 | 62,618 |
| Business, Community, and Consumer Affairs | 343,270 | - | 19 | - | 343,289 |
| Education | 77,080 | - | 2,082 | - | 79,162 |
| Health and Rehabilitation | 146,932 | - | 498 | - | 147,430 |
| Justice | 216,357 | - | 9,513 | - | 225,870 |
| Natural Resources | 73,334 | - | - | 15,103 | 88,437 |
| Social Assistance | 227,554 | - | 1,317 | - | 228,871 |
| Transportation | 5,903 | - | - | - | 5,903 |
| Capital Outlay | 24,508 | - | 69,302 | 1,591 | 95,401 |
| Intergovernmental: | | | | | |
| Cities | 117,773 | - | - | - | 117,773 |
| Counties | 146,426 | - | - | 40 | 146,466 |
| School Districts | 683,110 | - | - | - | 683,110 |
| Special Districts | 28,663 | - | 14 | - | 28,677 |
| Federal | 31,773 | - | - | - | 31,773 |
| Other | 55,158 | - | - | - | 55,158 |
| Debt Service | 1,573 | 74,789 | - | - | 76,362 |
| TOTAL EXPENDITURES | 2,227,667 | 74,789 | 96,318 | 17,526 | 2,416,300 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 65,980 | (72,456) | (56,265) | 212,483 | 149,742 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers- In | 390,624 | 84,109 | 199,781 | 2,500 | 677,014 |
| Transfers- Out | (440,211) | - | (335,156) | (101,661) | (877,028) |
| Face Amount of Bond/COP Issuance | - | - | 500,000 | - | 500,000 |
| Bond/COP Premium/Discount | - | - | 111,009 | - | 111,009 |
| Sale of Capital Assets | 28,686 | - | 10,818 | 15,236 | 54,740 |
| Insurance Recoveries | 117 | - | 1,482 | - | 1,599 |
| TOTAL OTHER FINANCING SOURCES (USES) | (20,784) | 84,109 | 487,934 | (83,925) | 467,334 |
| NET CHANGE IN FUND BALANCES | 45,196 | 11,653 | 431,669 | 128,558 | 617,076 |
| FUND BALANCE, FISCAL YEAR BEGINNING | 3,315,320 | 104,011 | 762,945 | 1,291,072 | 5,473,348 |
| FUND BALANCE, FISCAL YEAR END | $ 3,360,516 | $ 115,664 | $ 1,194,614 | $ 1,419,630 | $ 6,090,424 |

## SPECIAL REVENUE FUNDS

| | |
|---|---|
| LABOR | This fund accounts for injured workers' medical benefits provided by statutes when the injury is not covered by workers' compensation benefits. |
| RESOURCE EXTRACTION | This fund accounts for receipts from severance taxes, mineral leasing, and fees associated with the regulation of mining activities. Expenditures include distributions to local governments, regulatory costs, and loans to special districts and local governments for water projects. |
| STATE EDUCATION | 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. |
| GAMING | This fund accounts for operations of the Colorado Gaming Commission and its oversight of gaming operations in the State. It also accounts for the preservation activities of the Colorado Historical Society related to the revenues it receives from gaming. |
| TOBACCO IMPACT MITIGATION | This fund accounts for receipts directly from the tobacco litigation settlement, earnings on those funds, and the expenditures of programs funded by the tobacco master settlement agreement. In addition, it accounts for tax revenues received from an additional State tax on cigarettes and tobacco products approved by State voters in the 2004 general election and the expenditure of those tax revenues. |

| | |
|---|---|
| RESOURCE MANAGEMENT | This fund accounts for receipts from licenses, rents, and fees related to managing the water, oil and gas resources of the State. Most of the related programs are managed by the Colorado Department of Natural Resources. |
| ENVIRONMENT AND HEALTH PROTECTION | This fund accounts for a large number of individual programs managed primarily by the Department of Public Health and Environment. The programs are primarily designed to regulate air, water, and other forms of pollution, control the spread of diseases, and regulate activities that impact the health of the citizens of Colorado. |
| UNCLAIMED PROPERTY | This fund reports the escheats funds managed by the State Treasurer that are not held in trust for claimants. The receipts of the fund are from bank accounts, investment accounts, and insurance proceeds that are placed with the State when the owners of the assets cannot be located. Per statute, the owner's legal rights to the asset are protected in perpetuity; however, historically not all of the assets are claimed. The assets ultimately expected to be claimed and paid are reported as Net Position Held In Trust in the Unclaimed Property Trust Fund, a nonmajor Fiduciary Fund. |
| OTHER SPECIAL REVENUE | This fund category represents a collection of active funds created in statute that have a wide variety of purposes. Funds in this category also have a broad diversity of revenue types. |

## COMBINING BALANCE SHEET
## SPECIAL REVENUE FUNDS
## JUNE 30, 2020

(DOLLARS IN THOUSANDS)

| | LABOR | RESOURCE EXTRACTION | STATE EDUCATION | GAMING |
|---|---|---|---|---|
| ASSETS: | | | | |
| Cash and Pooled Cash | $ 154,291 | $ 757,987 | $ - | $ 105,627 |
| Taxes Receivable, net | 32,580 | 4,646 | - | 5,365 |
| Other Receivables, net | 3,175 | 51,335 | - | 125 |
| Due From Other Governments | 408 | 3,905 | - | - |
| Due From Other Funds | 1,905 | 19,414 | - | - |
| Inventories | 28,728 | 76,764 | - | - |
| Prepaids, Advances and Deposits | 8,364 | 10,626 | 21 | 836 |
| Restricted Assets: | | | | |
| Restricted Cash and Pooled Cash | 106,234 | 68,247 | 181,302 | 8,396 |
| Restricted Investments | 1,560 | - | - | - |
| Investments | 177 | - | - | - |
| Other Long-Term Assets | - | 490,812 | - | 1,474 |
| TOTAL ASSETS | $ 337,422 | $ 1,483,736 | $ 181,323 | $ 121,823 |
| LIABILITIES: | | | | |
| Tax Refunds Payable | $ - | $ - | $ - | $ - |
| Accounts Payable and Accrued Liabilities | 62,743 | 48,353 | 6,565 | 4,461 |
| Due To Other Governments | - | 23,201 | - | 11,202 |
| Due To Other Funds | 722 | 257 | - | 25,585 |
| Unearned Revenue | 44,544 | 1,475 | - | 1,035 |
| Claims and Judgments Payable | 77 | - | - | - |
| Other Current Liabilities | 502 | - | - | - |
| Deposits Held In Custody For Others | - | - | - | 5 |
| TOTAL LIABILITIES | 108,588 | 73,286 | 6,565 | 42,288 |
| DEFERRED INFLOW OF RESOURCES: | - | 4,646 | - | - |
| FUND BALANCES: | | | | |
| Nonspendable: | | | | |
| Inventories | 28,728 | 76,764 | - | - |
| Prepaids | 8,364 | 10,626 | 21 | 836 |
| Restricted | 107,794 | 80,078 | 174,737 | 40,133 |
| Committed | 83,948 | 1,238,336 | - | 38,566 |
| TOTAL FUND BALANCES | 228,834 | 1,405,804 | 174,758 | 79,535 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | $ 337,422 | $ 1,483,736 | $ 181,323 | $ 121,823 |

| TOBACCO IMPACT MITIGATION | RESOURCE MANAGEMENT | ENVIRONMENT AND HEALTH PROTECTION | UNCLAIMED PROPERTY | OTHER SPECIAL REVENUE | TOTALS |
|---|---|---|---|---|---|
| $ 133,428 | $ 9,806 | $ 134,248 | $ 5,502 | $ 800,666 | $ 2,101,555 |
| 225 | - | - | - | 25,980 | 68,796 |
| 56,940 | 23 | 7,545 | 1,066 | 12,033 | 132,242 |
| 1,119 | - | 13,197 | - | 11,136 | 29,765 |
| 96 | - | 4,024 | 246,379 | 259 | 272,077 |
| - | - | 303 | - | - | 105,795 |
| - | 1 | - | 4 | 15,879 | 35,731 |
| - | - | - | - | 638 | 364,817 |
| - | - | - | - | - | 1,560 |
| - | - | - | 148,414 | 5,351 | 153,942 |
| - | - | - | - | 20,754 | 513,040 |
| $ 191,808 | $ 9,830 | $ 159,317 | $ 401,365 | $ 892,696 | $ 3,779,320 |
| $ - | $ - | $ - | $ - | $ 9,200 | $ 9,200 |
| 21,264 | 114 | 8,516 | 289 | 48,864 | 201,169 |
| 161 | 481 | 37 | - | 2,095 | 37,177 |
| 4,377 | - | 2,019 | - | 2,235 | 35,195 |
| - | 7 | 8,931 | - | 67,750 | 123,742 |
| - | - | - | - | 12 | 89 |
| - | - | 28 | - | 4,856 | 5,386 |
| - | - | - | - | 123 | 128 |
| 25,802 | 602 | 19,531 | 289 | 135,135 | 412,086 |
| 225 | - | - | - | 1,847 | 6,718 |
| - | - | 303 | - | - | 105,795 |
| - | 1 | - | 4 | 15,879 | 35,731 |
| 26,948 | 6,666 | 6,110 | - | 350 | 442,816 |
| 138,833 | 2,561 | 133,373 | 401,072 | 739,485 | 2,776,174 |
| 165,781 | 9,228 | 139,786 | 401,076 | 755,714 | 3,360,516 |
| $ 191,808 | $ 9,830 | $ 159,317 | $ 401,365 | $ 892,696 | $ 3,779,320 |

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
## SPECIAL REVENUE FUNDS
## FOR THE YEAR ENDED JUNE 30, 2020

(DOLLARS IN THOUSANDS)

| | LABOR | RESOURCE EXTRACTION | STATE EDUCATION | GAMING |
|---|---|---|---|---|
| REVENUES: | | | | |
| Taxes: | | | | |
| Individual and Fiduciary Income | $ - | $ - | $ 588,830 | $ - |
| Corporate Income | - | - | 57,870 | - |
| Sales and Use | - | - | - | - |
| Excise | - | - | - | - |
| Other Taxes | 60,175 | 116,844 | - | 80,647 |
| Licenses, Permits, and Fines | 908 | 2,219 | - | 1,123 |
| Charges for Goods and Services | 121 | 13,878 | - | 343 |
| Rents | - | 3 | - | - |
| Investment Income (Loss) | 5,014 | 49,459 | 8,837 | 6,224 |
| Federal Grants and Contracts | 3,514 | 76,788 | - | - |
| Unclaimed Property Receipts | - | - | - | - |
| Other | 23,742 | 8,819 | 68 | 3,165 |
| TOTAL REVENUES | 93,474 | 268,010 | 655,605 | 91,502 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government | 13,064 | - | - | - |
| Business, Community, and Consumer Affairs | 51,779 | 14,303 | - | 34,607 |
| Education | - | - | 32,504 | 16,743 |
| Health and Rehabilitation | 2,050 | 534 | - | 50 |
| Justice | 40,905 | - | - | - |
| Natural Resources | - | 72,038 | - | - |
| Social Assistance | - | - | - | - |
| Transportation | - | - | - | - |
| Capital Outlay | 7,763 | 6,571 | - | 7 |
| Intergovernmental: | | | | |
| Cities | 3,346 | 52,988 | - | 14,291 |
| Counties | 13,136 | 35,023 | - | 13,081 |
| School Districts | 8 | 3,184 | 618,321 | 200 |
| Special Districts | 738 | 19,773 | - | 644 |
| Federal | 30,000 | 583 | - | - |
| Other | - | 3,161 | - | 1,712 |
| Debt Service | - | - | - | - |
| TOTAL EXPENDITURES | 162,789 | 208,158 | 650,825 | 81,335 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (69,315) | 59,852 | 4,780 | 10,167 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers- In | 35,347 | 284 | 43,327 | 1,560 |
| Transfers- Out | (6,413) | (45,007) | (52,373) | (44,014) |
| Sale of Capital Assets | 28,626 | - | - | - |
| Insurance Recoveries | - | - | - | 3 |
| TOTAL OTHER FINANCING SOURCES (USES) | 57,560 | (44,723) | (9,046) | (42,451) |
| NET CHANGE IN FUND BALANCES | (11,755) | 15,129 | (4,266) | (32,284) |
| FUND BALANCE, FISCAL YEAR BEGINNING | 240,589 | 1,390,675 | 179,024 | 111,819 |
| FUND BALANCE, FISCAL YEAR END | $ 228,834 | $ 1,405,804 | $ 174,758 | $ 79,535 |

| TOBACCO IMPACT MITIGATION | RESOURCE MANAGEMENT | ENVIRONMENT AND HEALTH PROTECTION | UNCLAIMED PROPERTY | OTHER SPECIAL REVENUE | TOTALS |
|---|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ - | $ 588,830 |
| - | - | - | - | - | 57,870 |
| - | - | - | - | 37,220 | 37,220 |
| 133,718 | - | - | - | 91,421 | 225,139 |
| - | - | - | - | 1,076 | 258,742 |
| 78,005 | 97 | 52,938 | - | 280,975 | 416,265 |
| 1,002 | 1,719 | 78,160 | - | 61,805 | 157,028 |
| - | - | - | - | 5,563 | 5,566 |
| 5,618 | 442 | 5,696 | 29,073 | 31,831 | 142,194 |
| 2,370 | - | 23,641 | - | 163,515 | 269,828 |
| - | - | - | 55,137 | - | 55,137 |
| 911 | 4,771 | 10,020 | 11 | 28,321 | 79,828 |
| 221,624 | 7,029 | 170,455 | 84,221 | 701,727 | 2,293,647 |
| | | | | | |
| 194 | - | 102 | 2,357 | 32,536 | 48,253 |
| - | 158 | 2,146 | 1,029 | 239,248 | 343,270 |
| 2,421 | - | - | - | 25,412 | 77,080 |
| 29,214 | - | 61,052 | - | 54,032 | 146,932 |
| 290 | - | 30,738 | - | 144,424 | 216,357 |
| - | 1,130 | - | - | 166 | 73,334 |
| 125,859 | - | 61,352 | - | 40,343 | 227,554 |
| - | - | - | - | 5,903 | 5,903 |
| 5 | 189 | 1,348 | 2,108 | 6,517 | 24,508 |
| | | | | | |
| 1,597 | - | 1,951 | - | 43,600 | 117,773 |
| 25,623 | 488 | 1,955 | - | 57,120 | 146,426 |
| 27,872 | - | 23 | - | 33,502 | 683,110 |
| 1,617 | - | 650 | 100 | 5,141 | 28,663 |
| - | - | 1,048 | 79 | 63 | 31,773 |
| 9,887 | - | 4,331 | 1 | 36,066 | 55,158 |
| - | - | - | 417 | 1,156 | 1,573 |
| 224,579 | 1,965 | 166,696 | 6,091 | 725,229 | 2,227,667 |
| | | | | | |
| (2,955) | 5,064 | 3,759 | 78,130 | (23,502) | 65,980 |
| | | | | | |
| 34,188 | - | 9,735 | - | 266,183 | 390,624 |
| (26,284) | (226) | (26,178) | (46,408) | (193,308) | (440,211) |
| - | - | - | - | 60 | 28,686 |
| - | - | 64 | - | 50 | 117 |
| 7,904 | (226) | (16,379) | (46,408) | 72,985 | (20,784) |
| | | | | | |
| 4,949 | 4,838 | (12,620) | 31,722 | 49,483 | 45,196 |
| | | | | | |
| 160,832 | 4,390 | 152,406 | 369,354 | 706,231 | 3,315,320 |
| $ 165,781 | $ 9,228 | $ 139,786 | $ 401,076 | $ 755,714 | $ 3,360,516 |

# PERMANENT FUNDS

| | |
|---|---|
| STATE LANDS | This fund consists of the assets, liabilities, and operations related to lands granted to the State by the federal government for educational purposes. This fund also includes unclaimed assets from estates or trusts with unknown beneficiaries. Per statute, these assets become property of the State after 21 years. |
| OTHER PERMANENT TRUST | This fund category represents several minor permanent funds including Wildlife for Future Generations Fund and the Veterans Monument Preservation Fund. |

**COMBINING BALANCE SHEET**
**PERMANENT FUNDS**
**JUNE 30, 2020**

| (DOLLARS IN THOUSANDS) | STATE LANDS | OTHER | TOTALS |
|---|---|---|---|
| ASSETS: | | | |
| Other Receivables, net | $ 10,990 | $ - | $ 10,990 |
| Restricted Assets: | | | |
| Restricted Cash and Pooled Cash | 150,453 | 21,383 | 171,836 |
| Restricted Investments | 1,208,461 | - | 1,208,461 |
| Other Long-Term Assets | 30,111 | - | 30,111 |
| TOTAL ASSETS | $ 1,400,015 | $ 21,383 | $ 1,421,398 |
| DEFERRED OUTFLOW OF RESOURCES: | 3,027 | - | 3,027 |
| LIABILITIES: | | | |
| Accounts Payable and Accrued Liabilities | $ 4,504 | $ - | $ 4,504 |
| Due To Other Governments | 5 | - | 5 |
| Due To Other Funds | 286 | - | 286 |
| TOTAL LIABILITIES | 4,795 | - | 4,795 |
| FUND BALANCES: | | | |
| Nonspendable: | | | |
| Permanent Fund Principal | 1,398,247 | - | 1,398,247 |
| Committed | - | 21,383 | 21,383 |
| TOTAL FUND BALANCES | 1,398,247 | 21,383 | 1,419,630 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | $ 1,403,042 | $ 21,383 | $ 1,424,425 |

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES PERMANENT FUNDS FOR THE YEAR ENDED JUNE 30, 2020

| (DOLLARS IN THOUSANDS) | STATE LANDS | OTHER | TOTALS |
|---|---|---|---|
| REVENUES: | | | |
| Rents | $ 144,879 | $ 1,672 | $ 146,551 |
| Investment Income (Loss) | 81,764 | 983 | 82,747 |
| Additions to Permanent Funds | 580 | - | 580 |
| Other | 124 | 7 | 131 |
| TOTAL REVENUES | 227,347 | 2,662 | 230,009 |
| EXPENDITURES: | | | |
| Current: | | | |
| General Government | 792 | - | 792 |
| Natural Resources | 15,101 | 2 | 15,103 |
| Capital Outlay | 1,591 | - | 1,591 |
| Intergovernmental: | | | |
| Counties | 40 | - | 40 |
| TOTAL EXPENDITURES | 17,524 | 2 | 17,526 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 209,823 | 2,660 | 212,483 |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers- In | - | 2,500 | 2,500 |
| Transfers- Out | (101,661) | - | (101,661) |
| Sale of Capital Assets | 15,236 | - | 15,236 |
| TOTAL OTHER FINANCING SOURCES (USES) | (86,425) | 2,500 | (83,925) |
| NET CHANGE IN FUND BALANCES | 123,398 | 5,160 | 128,558 |
| FUND BALANCE, FISCAL YEAR BEGINNING | 1,274,849 | 16,223 | 1,291,072 |
| FUND BALANCE, FISCAL YEAR END | $ 1,398,247 | $ 21,383 | $ 1,419,630 |

# 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:

| | |
|---|---|
| PARKS AND WILDLIFE | Expenses of this fund are to preserve the State's parks, 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. |
| 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. |
| STATE FAIR AUTHORITY | The State Fair Authority operates the Colorado State Fair, and other events, at the State fairgrounds in Pueblo. |
| CORRECTIONAL INDUSTRIES | This activity reports the production and sale of manufactured goods and farm products that are produced by convicted criminals who are incarcerated in the State prison system. |
| STATE NURSING HOMES | This activity is for nursing home and retirement care provided to the elderly at the State facilities at Fitzsimons, Homelake, Walsenburg, Florence, and Rifle. |
| PRISON CANTEENS | This activity accounts for the various canteen operations in the State's prison system. |
| PETROLEUM STORAGE TANK | This activity accounts for grants, registration fees, environmental response surcharges, and penalties associated with the regulation and abatement of fire and safety issues related to above and underground petroleum storage tanks. |

OTHER ENTERPRISE ACTIVITIES

The other enterprise activities includes the State and CollegeInvest. The State includes 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 POSITION**
**OTHER ENTERPRISE FUNDS**
**JUNE 30, 2020**

| (DOLLARS IN THOUSANDS) | PARKS AND WILDLIFE | COLLEGE ASSIST | STATE LOTTERY | STATE FAIR AUTHORITY |
|---|---|---|---|---|
| ASSETS: | | | | |
| Current Assets: | | | | |
| Cash and Pooled Cash | $ 170,827 | $ 155,486 | $ 48,764 | $ 3,962 |
| Premiums/Taxes Receivable, net | - | - | - | - |
| Student and Other Receivables, net | 22,277 | 72 | 30,963 | 8 |
| Due From Other Governments | 13,735 | 818 | - | - |
| Due From Other Funds | 3,865 | - | - | - |
| Inventories | 1,412 | - | 1,732 | - |
| Prepaids, Advances and Deposits | 3,250 | 64 | 5,859 | 18 |
| Total Current Assets | 215,366 | 156,440 | 87,318 | 3,988 |
| Noncurrent Assets: | | | | |
| Restricted Cash and Pooled Cash | 34,400 | 51,317 | - | - |
| Restricted Receivables | - | 22,651 | - | - |
| Other Long-Term Assets | 351 | - | - | - |
| Depreciable Capital Assets and Infrastructure, net | 175,689 | 909 | 363 | 11,177 |
| Land and Nondepreciable Capital Assets | 417,257 | - | - | 1,231 |
| Total Noncurrent Assets | 627,697 | 74,877 | 363 | 12,408 |
| TOTAL ASSETS | 843,063 | 231,317 | 87,681 | 16,396 |
| DEFERRED OUTFLOW OF RESOURCES: | 19,412 | 1,024 | 1,480 | 556 |
| LIABILITIES: | | | | |
| Current Liabilities: | | | | |
| Accounts Payable and Accrued Liabilities | 21,624 | 98 | 4,041 | 432 |
| Due To Other Governments | - | 19,412 | 42 | - |
| Due To Other Funds | 962 | - | 38,649 | - |
| Unearned Revenue | 48,145 | - | - | 104 |
| Compensated Absences Payable | 1,030 | - | - | 2 |
| Leases Payable | - | - | - | - |
| Notes, Bonds, and COPs Payable | - | - | - | - |
| Other Current Liabilities | 390 | 1,460 | 39,663 | 8 |
| Total Current Liabilities | 72,151 | 20,970 | 82,395 | 546 |
| Noncurrent Liabilities: | | | | |
| Due to Other Funds | 16,211 | - | - | - |
| Deposits Held In Custody For Others | 25 | - | - | - |
| Accrued Compensated Absences | 8,808 | 168 | 743 | 120 |
| Capital Lease Payable | - | - | - | - |
| Notes, Bonds, and COPs Payable | - | - | - | - |
| Net Pension Liability | 207,595 | 2,877 | 20,590 | 5,780 |
| Other Postemployment Benefits | 8,064 | 92 | 830 | 225 |
| Other Long-Term Liabilities | - | - | 19 | - |
| Total Noncurrent Liabilities | 240,703 | 3,137 | 22,182 | 6,125 |
| TOTAL LIABILITIES | 312,854 | 24,107 | 104,577 | 6,671 |
| DEFERRED INFLOW OF RESOURCES: | 90,077 | 1,165 | 9,789 | 2,335 |
| NET POSITION: | | | | |
| Net investment in Capital Assets: | 592,946 | - | - | - |
| Restricted for: | | | | |
| Emergencies | 34,000 | - | - | - |
| Other Purposes | 31,961 | - | 2,567 | - |
| Unrestricted | (199,363) | 207,069 | (27,772) | 7,946 |
| TOTAL NET POSITION | $ 459,544 | $ 207,069 | $ (25,205) | $ 7,946 |

| CORRECTIONAL INDUSTRIES | STATE NURSING HOMES | PRISON CANTEENS | PETROLEUM STORAGE TANK | OTHER ENTERPRISE ACTIVITIES | TOTAL |
|---|---|---|---|---|---|
| $ - | $ 28,088 | $ 7,763 | $ 6,252 | $ 54,356 | $ 475,498 |
| - | - | - | 11 | 374 | 385 |
| 2,112 | 827 | - | 3,672 | 204 | 60,135 |
| 431 | 2,625 | - | - | 2,168 | 19,777 |
| 159 | 2,728 | - | - | 317 | 7,069 |
| 11,758 | 181 | 672 | - | 208 | 15,963 |
| - | 46 | - | - | 608 | 9,845 |
| 14,460 | 34,495 | 8,435 | 9,935 | 58,235 | 588,672 |
| - | - | - | - | 103 | 85,820 |
| - | - | - | - | - | 22,651 |
| 1,019 | - | - | - | - | 1,370 |
| 3,568 | 27,702 | 1,901 | 36 | 11,405 | 232,750 |
| 977 | 4,463 | - | - | 4,268 | 428,196 |
| 5,564 | 32,165 | 1,901 | 36 | 15,776 | 770,787 |
| 20,024 | 66,660 | 10,336 | 9,971 | 74,011 | 1,359,459 |
| 2,559 | 9,036 | 487 | 1,273 | 2,945 | 38,772 |
| 5,265 | 5,244 | 1,590 | 2,370 | 2,417 | 43,081 |
| - | 441 | - | - | - | 19,895 |
| 3,163 | - | - | 4,000 | 12,022 | 58,796 |
| 1 | 1,306 | - | - | 6,750 | 56,306 |
| 65 | 242 | - | - | 39 | 1,378 |
| - | 269 | - | - | - | 269 |
| - | - | - | - | 575 | 575 |
| - | 90 | - | 14 | 33 | 41,658 |
| 8,494 | 7,592 | 1,590 | 6,384 | 21,836 | 221,958 |
| - | - | - | - | - | 16,211 |
| - | - | - | - | - | 25 |
| 1,322 | 2,487 | 248 | 543 | 1,210 | 15,649 |
| - | 1,432 | - | - | - | 1,432 |
| - | - | - | - | 656 | 656 |
| 27,892 | 81,379 | 5,142 | 7,626 | 24,002 | 382,883 |
| 1,131 | 3,257 | 208 | 301 | 783 | 14,891 |
| - | - | - | - | - | 19 |
| 30,345 | 88,555 | 5,598 | 8,470 | 26,651 | 431,766 |
| 38,839 | 96,147 | 7,188 | 14,854 | 48,487 | 653,724 |
| 14,637 | 34,880 | 2,087 | 3,543 | 11,150 | 169,663 |
| 4,545 | - | 1,901 | 36 | 12,185 | 611,613 |
| - | - | - | - | - | 34,000 |
| - | - | - | - | - | 34,528 |
| (35,438) | (55,331) | (353) | (7,189) | 5,134 | (105,297) |
| $ (30,893) | $ (55,331) | $ 1,548 | $ (7,153) | $ 17,319 | $ 574,844 |

## COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
## OTHER ENTERPRISE FUNDS
## FOR THE YEAR ENDED JUNE 30, 2020

| (DOLLARS IN THOUSANDS) | PARKS AND WILDLIFE | COLLEGE ASSIST | STATE LOTTERY | STATE FAIR AUTHORITY |
|---|---|---|---|---|
| OPERATING REVENUES: | | | | |
| License and Permits | $ 158,994 | $ - | $ 66 | $ - |
| Tuition and Fees | 63 | - | - | - |
| Sales of Goods and Services | 7,797 | - | 658,839 | 6,702 |
| Investment Income (Loss) | - | 5,485 | - | - |
| Rental Income | - | - | - | 356 |
| Federal Grants and Contracts | 36,134 | 210,729 | - | - |
| Intergovernmental Revenue | 49,652 | - | - | - |
| Other | 1,452 | 1 | 885 | - |
| TOTAL OPERATING REVENUES | 254,092 | 216,215 | 659,790 | 7,058 |
| OPERATING EXPENSES: | | | | |
| Salaries and Fringe Benefits | 46,960 | 17,583 | 3,853 | 2,963 |
| Operating and Travel | 98,017 | 172,142 | 67,989 | 4,198 |
| Cost of Goods Sold | 588 | - | 15,373 | - |
| Depreciation and Amortization | 13,721 | 84 | 106 | 859 |
| Intergovernmental Distributions | 9,367 | - | - | - |
| Debt Service | - | 10,566 | - | - |
| Prizes and Awards | 3 | 504 | 424,560 | 866 |
| TOTAL OPERATING EXPENSES | 168,656 | 200,879 | 511,881 | 8,886 |
| OPERATING INCOME (LOSS) | 85,436 | 15,336 | 147,909 | (1,828) |
| NONOPERATING REVENUES AND (EXPENSES): | | | | |
| Taxes | - | - | - | - |
| Fines and Settlements | 462 | - | - | - |
| Investment Income (Loss) | 8,563 | 6,789 | 2,599 | 107 |
| Rental Income | 15,257 | - | - | - |
| Gifts and Donations | 916 | - | - | 418 |
| Intergovernmental Distributions | - | - | (70,365) | - |
| Gain/(Loss) on Sale or Impairment of Capital Assets | (24) | - | - | - |
| Insurance Recoveries from Prior Year Impairments | 1,701 | - | - | 149 |
| Debt Service | (6) | - | - | - |
| Other Revenues | 11 | - | - | 2,036 |
| TOTAL NONOPERATING REVENUES (EXPENSES) | 26,880 | 6,789 | (67,766) | 2,710 |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | 112,316 | 22,125 | 80,143 | 882 |
| CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS: | | | | |
| Capital Contributions | 3,796 | - | - | 615 |
| Transfers- In | 19,383 | 23 | 9 | 1,302 |
| Transfers- Out | (9,611) | (76) | (72,717) | (102) |
| TOTAL CONTRIBUTIONS AND TRANSFERS | 13,568 | (53) | (72,708) | 1,815 |
| CHANGE IN NET POSITION | 125,884 | 22,072 | 7,435 | 2,697 |
| NET POSITION - FISCAL YEAR BEGINNING | 333,660 | 184,997 | (32,640) | 5,249 |
| NET POSITION - FISCAL YEAR ENDING | $ 459,544 | $ 207,069 | $ (25,205) | $ 7,946 |

| CORRECTIONAL INDUSTRIES | STATE NURSING HOMES | PRISON CANTEENS | PETROLEUM STORAGE TANK | OTHER ENTERPRISE ACTIVITIES | TOTALS |
|---|---|---|---|---|---|
| $ - | $ - | $ - | $ 532 | $ 10,700 | $ 170,292 |
| 2 | - | - | - | 1,695 | 1,760 |
| 37,175 | 26,342 | 19,757 | 20 | 5,824 | 762,456 |
| - | - | - | - | 2,191 | 7,676 |
| - | - | - | - | 1,906 | 2,262 |
| 407 | 35,139 | - | 9 | 990 | 283,408 |
| - | 206 | - | - | - | 49,858 |
| 271 | 74 | 845 | - | 217 | 3,745 |
| 37,855 | 61,761 | 20,602 | 561 | 23,523 | 1,281,457 |
| 5,293 | 24,099 | 1,158 | 13,325 | 3,961 | 119,195 |
| 9,877 | 11,257 | 3,993 | 20,538 | 20,762 | 408,773 |
| 19,660 | - | 14,498 | - | 137 | 50,256 |
| 397 | 1,941 | 214 | 18 | 1,011 | 18,351 |
| - | 4,697 | - | - | 4,264 | 18,328 |
| - | - | - | - | - | 10,566 |
| - | - | 17 | - | - | 425,950 |
| 35,227 | 41,994 | 19,880 | 33,881 | 30,135 | 1,051,419 |
| 2,628 | 19,767 | 722 | (33,320) | (6,612) | 230,038 |
| - | - | - | 34,626 | - | 34,626 |
| - | - | - | - | 37 | 499 |
| (1) | 1,247 | 422 | 440 | 562 | 20,728 |
| 86 | (4) | - | - | - | 15,339 |
| 2 | - | - | - | 420 | 1,756 |
| - | - | - | - | - | (70,365) |
| - | (2) | - | - | - | (26) |
| - | - | - | - | - | 1,850 |
| (60) | (60) | - | (1) | (60) | (187) |
| - | - | - | - | - | 2,047 |
| 27 | 1,181 | 422 | 35,065 | 959 | 6,267 |
| 2,655 | 20,948 | 1,144 | 1,745 | (5,653) | 236,305 |
| - | - | - | - | - | 4,411 |
| 18 | 4,173 | 5 | 43 | 466 | 25,422 |
| (525) | (3,126) | (76) | (1,422) | (635) | (88,290) |
| (507) | 1,047 | (71) | (1,379) | (169) | (58,457) |
| 2,148 | 21,995 | 1,073 | 366 | (5,822) | 177,848 |
| (33,041) | (77,326) | 475 | (7,519) | 23,141 | 396,996 |
| $ (30,893) | $ (55,331) | $ 1,548 | $ (7,153) | $ 17,319 | $ 574,844 |

**COMBINING STATEMENT OF CASH FLOWS**
**OTHER ENTERPRISE FUNDS**
**FOR THE YEAR ENDED JUNE 30, 2020**

| (DOLLARS IN THOUSANDS) | PARKS AND WILDLIFE | COLLEGE ASSIST | STATE LOTTERY | STATE FAIR AUTHORITY |
|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Cash Received from: | | | | |
| Tuition, Fees, and Student Loans | $ - | $ - | $ - | $ - |
| Fees for Service | 157,026 | 17 | - | 4,587 |
| Receipts for Interfund Services | 20 | - | - | - |
| Sales of Products | 2,646 | - | 652,008 | 61 |
| Gifts, Grants, and Contracts | 29,343 | 216,454 | - | - |
| Income from Property | 15,257 | - | - | 356 |
| Other Sources | 52,401 | 5,487 | 954 | 1,891 |
| Cash Payments to or for: | | | | |
| Employees | (103,270) | (17,900) | (10,321) | (4,467) |
| Suppliers | (58,823) | (2,773) | (37,134) | (3,622) |
| Payments for Interfund Services | (3,924) | (61) | (511) | (83) |
| Sales Commissions and Lottery Prizes | (8,735) | - | (471,987) | - |
| Other Governments | (9,367) | - | (86) | - |
| Other | (15,552) | (180,675) | (624) | (924) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 57,022 | 20,549 | 132,299 | (2,201) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| Transfers- In | 19,383 | 23 | 9 | 1,918 |
| Transfers- Out | (9,611) | (76) | (72,717) | (102) |
| Receipt of Deposits Held in Custody | 1,039 | - | - | - |
| Release of Deposits Held in Custody | (682) | - | - | (5) |
| Gifts and Grants for Other Than Capital Purposes | 916 | - | - | 418 |
| Intergovernmental Distributions | - | - | (68,095) | - |
| Unclaimed Property Fund Interest | - | - | - | 2,036 |
| NonCapital Debt Proceeds | - | - | - | - |
| NonCapital Debt Service Payments | - | - | - | - |
| NET CASH FROM NONCAPITAL FINANCING ACTIVITIES | 11,045 | (53) | (140,803) | 4,265 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Acquisition of Capital Assets | (111,914) | (1,296) | (94) | (1,902) |
| Proceeds from Sale of Capital Assets | 58,456 | 648 | 47 | 781 |
| Capital Debt Service Payments | (1) | - | - | - |
| Capital Lease Payments | - | - | - | - |
| NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES | (53,459) | (648) | (47) | (1,121) |

| CORRECTIONAL INDUSTRIES | STATE NURSING HOMES | PRISON CANTEENS | PETROLEUM STORAGE TANK | OTHER ENTERPRISE ACTIVITIES | TOTALS |
|---|---|---|---|---|---|
| $ 2 | $ - | $ - | $ - | $ 1,724 | $ 1,726 |
| - | 25,546 | - | - | 3,888 | 191,064 |
| 4,240 | 12 | - | 20 | 993 | 5,285 |
| 37,022 | - | 19,757 | - | 948 | 712,442 |
| 216 | 36,324 | - | 9 | 986 | 283,332 |
| 86 | - | - | - | 1,888 | 17,587 |
| 247 | 21 | 845 | 38,705 | 9,683 | 110,234 |
| (13,983) | (45,328) | (2,379) | (15,266) | (9,031) | (221,945) |
| (27,043) | (10,241) | (18,041) | (1,432) | (20,419) | (179,528) |
| (126) | (114) | (61) | - | - | (4,880) |
| - | - | - | - | - | (480,722) |
| - | (5,019) | - | - | (4,264) | (18,736) |
| (462) | (241) | (19) | (19,503) | (81) | (218,081) |
| 199 | 960 | 102 | 2,533 | (13,685) | 197,778 |
| 18 | 4,172 | 5 | 43 | 466 | 26,037 |
| (525) | (3,126) | (76) | (1,422) | (635) | (88,290) |
| 5 | - | - | - | - | 1,044 |
| (5) | - | - | - | - | (692) |
| 2 | - | - | - | 420 | 1,756 |
| - | - | - | - | - | (68,095) |
| - | - | - | - | - | 2,036 |
| - | 63 | - | - | 66 | 129 |
| - | (63) | - | - | (66) | (129) |
| (505) | 1,046 | (71) | (1,379) | 251 | (126,204) |
| (998) | (1,588) | (392) | (80) | (4,268) | (122,532) |
| 421 | 772 | 143 | 33 | 4,089 | 65,390 |
| (60) | (3) | - | (1) | (617) | (682) |
| - | (369) | - | - | - | (369) |
| (637) | (1,188) | (249) | (48) | (796) | (58,193) |

(Continued)

## STATEMENT OF CASH FLOWS, CONTINUED
## OTHER ENTERPRISE FUNDS
## FOR THE YEAR ENDED JUNE 30, 2020

| (DOLLARS IN THOUSANDS) | PARKS AND WILDLIFE | COLLEGE ASSIST | STATE LOTTERY | STATE FAIR AUTHORITY |
|---|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Interest and Dividends on Investments | 3,605 | 6,789 | 1,397 | - |
| Proceeds from Sale/Maturity of Investments | - | - | - | - |
| Purchases of Investments | - | - | - | - |
| Increase(Decrease) from Unrealized Gain(Loss) on Investments | 4,958 | - | 1,202 | 107 |
| NET CASH FROM INVESTING ACTIVITIES | 8,563 | 6,789 | 2,599 | 107 |
| NET INCREASE (DECREASE) IN CASH AND POOLED CASH | 23,171 | 26,637 | (5,952) | 1,050 |
| CASH AND POOLED CASH , FISCAL YEAR BEGINNING | 182,056 | 180,166 | 54,716 | 2,912 |
| CASH AND POOLED CASH, FISCAL YEAR END | $ 205,227 | $ 206,803 | $ 48,764 | $ 3,962 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH | | | | |
| PROVIDED BY OPERATING ACTIVITIES | | | | |
| Operating Income (Loss) | $ 85,436 | $ 15,336 | $ 147,909 | $ (1,828) |
| Adjustments to Reconcile Operating Income (Loss) | | | | |
| to Net Cash Provided by Operating Activities: | | | | |
| Depreciation | 13,721 | 84 | 106 | 859 |
| Investment/Rental Income and Other Revenue in Operating Income | - | - | - | - |
| Rents, Fines, Donations, and Grants and Contracts in NonOperating | 17,459 | - | - | 149 |
| Compensated Absences Expense | 688 | 32 | (77) | 12 |
| Interest and Other Expense in Operating Income | 12,918 | - | - | 339 |
| Net Changes in Assets, Deferred Outflows, Liabilities, and Deferred | | | | |
| Inflows Related to Operating Activities: | | | | |
| (Increase) Decrease in Operating Receivables | (14,199) | 17,056 | (6,831) | 244 |
| (Increase) Decrease in Inventories | (426) | - | (122) | - |
| (Increase) Decrease in Other Operating Assets and Deferred Outflows | (807) | (16) | 210 | 60 |
| (Increase) Decrease in Pension Deferred Outflow | 26,895 | 54 | 2,864 | 439 |
| (Increase) Decrease in OPEB Deferred Outflow | 74 | (7) | 18 | - |
| Increase (Decrease) in Accounts Payable | 799 | 63 | (4,492) | 35 |
| Increase (Decrease) in Pension Liability | (38,838) | 84 | (4,833) | (763) |
| Increase (Decrease) in OPEB Liability | (2,040) | (6) | (246) | (45) |
| Increase (Decrease) in Other Operating Liabilities and Deferred Inflows | (1,174) | (11,642) | 1,800 | (559) |
| Increase (Decrease) in Pension Deferred Inflow | (45,189) | (502) | (4,211) | (1,182) |
| Increase (Decrease) in OPEB Deferred Inflow | 1,705 | 13 | 204 | 39 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | $ 57,022 | $ 20,549 | $ 132,299 | $ (2,201) |
| SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS: | | | | |
| Capital Assets Funded by the Capital Projects Fund | - | - | - | 615 |
| Capital Assets Acquired by Grants or Donations and Payable Increases | 3,796 | - | - | - |
| Unrealized Gain/Loss on Investments and Interest Receivable Accruals | - | - | - | - |
| Loss on Disposal of Capital and Other Assets | 53 | - | - | - |
| Amortization of Debt Valuation Accounts and Interest Payable Accruals | - | - | - | - |
| State Support for PERA Pensions | (281) | 23 | 9 | 2 |

| CORRECTIONAL INDUSTRIES | STATE NURSING HOMES | PRISON CANTEENS | PETROLEUM STORAGE TANK | OTHER ENTERPRISE ACTIVITIES | TOTALS |
|---|---|---|---|---|---|
| 4 | 515 | 214 | 85 | 1,297 | 13,906 |
| - | - | - | - | 13,848 | 13,848 |
| - | - | - | - | (292) | (292) |
| (5) | 731 | 208 | 356 | 1,053 | 8,610 |
| (1) | 1,246 | 422 | 441 | 15,906 | 36,072 |
| (944) | 2,064 | 204 | 1,547 | 1,676 | 49,453 |
| 944 | 26,024 | 7,559 | 4,705 | 52,783 | 511,865 |
| $ - | $ 28,088 | $ 7,763 | $ 6,252 | $ 54,459 | $ 561,318 |
| $ 2,628 | $ 19,767 | $ 722 | $ (33,320) | $ (6,612) | $ 230,038 |
| 397 | 1,941 | 214 | 18 | 1,011 | 18,351 |
| - | - | - | - | (2,191) | (2,191) |
| 86 | (4) | - | 34,626 | 37 | 52,353 |
| 132 | 461 | 9 | 104 | 231 | 1,592 |
| 156 | 28 | 105 | 14 | 252 | 13,812 |
| 4,268 | (108) | - | (297) | (2,090) | (1,957) |
| (393) | 9 | - | - | (39) | (971) |
| 419 | 47 | - | - | 17 | (70) |
| 4,348 | 6,822 | 535 | 183 | 4,256 | 46,396 |
| 20 | (44) | 1 | (21) | 24 | 65 |
| (1,514) | 1,173 | 321 | (611) | (175) | (4,401) |
| (8,521) | (12,073) | (763) | (512) | (5,974) | (72,193) |
| (417) | (688) | (41) | (32) | (315) | (3,830) |
| 2,773 | 322 | - | 4,000 | 1,210 | (3,270) |
| (4,537) | (17,308) | (1,038) | (1,667) | (3,597) | (79,231) |
| 354 | 615 | 37 | 48 | 270 | 3,285 |
| $ 199 | $ 960 | $ 102 | $ 2,533 | $ (13,685) | $ 197,778 |
| - | - | - | - | - | 615 |
| - | - | - | - | - | 3,796 |
| - | - | - | - | 1,078 | 1,078 |
| - | 2 | - | - | - | 55 |
| - | (357) | - | - | (259) | (616) |
| (40) | 647 | 5 | 43 | 137 | 545 |

# 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. |
| STATEWIDE FINANCIAL INFORMATION TECHNOLOGY SYSTEMS CASH FUND | This fund accounts for information technology maintenance and upgrades as well as direct and indirect costs of the department in connection with Statewide financial and human resources information technology systems. |
| INFORMATION TECHNOLOGY | This fund accounts for computer and telecommunications services sold 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. |
| LEGAL SERVICES | This fund accounts for the Attorney General's services to State agencies in the Department of Law. |
| OTHER INTERNAL SERVICE ACTIVITIES | This fund primarily accounts for the activities of the Central Collections Unit within the Department of Personnel & Administration. The unit collects receivables due to State agencies on a straight commission basis. |

## COMBINING STATEMENT OF NET POSITION
## INTERNAL SERVICE FUNDS
## JUNE 30, 2020

(DOLLARS IN THOUSANDS)

| | CENTRAL SERVICES | FINANCIAL INFORMATION TECHNOLOGY | INFORMATION TECHNOLOGY | CAPITOL COMPLEX |
|---|---|---|---|---|
| ASSETS: | | | | |
| Current Assets: | | | | |
| Cash and Pooled Cash | $ 15,545 | $ 2,492 | $ 48,644 | $ 6,809 |
| Other Receivables, net | 1,440 | - | 341 | 32 |
| Due From Other Governments | - | - | 102 | - |
| Due From Other Funds | - | - | 263 | - |
| Inventories | 803 | - | - | 94 |
| Prepaids, Advances and Deposits | 19 | 74 | 8,312 | - |
| Total Current Assets | 17,807 | 2,566 | 57,662 | 6,935 |
| Noncurrent Assets: | | | | |
| Restricted Cash and Pooled Cash | - | - | - | 260 |
| Depreciable Capital Assets and Infrastructure, net | 78,468 | 17,595 | 13,964 | 10,267 |
| Land and Nondepreciable Capital Assets | - | 174 | 148 | 201 |
| Total Noncurrent Assets | 78,468 | 17,769 | 14,112 | 10,728 |
| TOTAL ASSETS | 96,275 | 20,335 | 71,774 | 17,663 |
| DEFERRED OUTFLOW OF RESOURCES: | 2,298 | 572 | 16,564 | 744 |
| LIABILITIES: | | | | |
| Current Liabilities: | | | | |
| Accounts Payable and Accrued Liabilities | 2,160 | 376 | 29,735 | 1,170 |
| Due To Other Funds | - | - | - | - |
| Unearned Revenue | - | - | 3,066 | - |
| Compensated Absences Payable | 20 | - | 809 | 1 |
| Leases Payable | 17,193 | 3,749 | - | 1,702 |
| Other Current Liabilities | 698 | - | - | - |
| Total Current Liabilities | 20,071 | 4,125 | 33,610 | 2,873 |
| Noncurrent Liabilities: | | | | |
| Accrued Compensated Absences | 996 | 203 | 8,520 | 367 |
| Capital Lease Payable | 58,873 | 3,774 | - | 9,844 |
| Net Pension Liability | 18,810 | 5,056 | 226,007 | 9,524 |
| Other Postemployment Benefits | 714 | 195 | 8,607 | 370 |
| Total Noncurrent Liabilities | 79,393 | 9,228 | 243,134 | 20,105 |
| TOTAL LIABILITIES | 99,464 | 13,353 | 276,744 | 22,978 |
| DEFERRED INFLOW OF RESOURCES: | 9,435 | 2,416 | 91,903 | 4,016 |
| NET POSITION: | | | | |
| Net investment in Capital Assets: | 2,402 | 10,245 | 14,112 | (1,078) |
| Unrestricted | (12,728) | (5,107) | (294,421) | (7,509) |
| TOTAL NET POSITION | $ (10,326) | $ 5,138 | $ (280,309) | $ (8,587) |

| HIGHWAYS | PUBLIC SAFETY | ADMINISTRATIVE COURTS | LEGAL SERVICES | OTHER INTERNAL SERVICE ACTIVITIES | TOTALS |
|---|---|---|---|---|---|
| $ - | $ 316 | $ 1,893 | $ 11,308 | $ - | $ 87,007 |
| - | 7 | 15 | 57 | 11 | 1,903 |
| - | - | - | - | - | 102 |
| - | - | - | - | - | 263 |
| 386 | - | - | - | - | 1,283 |
| - | - | 7 | 458 | - | 8,870 |
| 386 | 323 | 1,915 | 11,823 | 11 | 99,428 |
| - | - | - | - | - | 260 |
| 50 | 1,595 | 46 | 884 | - | 122,869 |
| - | - | - | - | - | 523 |
| 50 | 1,595 | 46 | 884 | - | 123,652 |
| 436 | 1,918 | 1,961 | 12,707 | 11 | 223,080 |
| 69 | 4 | 743 | 8,013 | 34 | 29,041 |
| 108 | - | 361 | 3,316 | 68 | 37,294 |
| 494 | - | - | 2 | 70 | 566 |
| - | - | - | - | - | 3,066 |
| - | - | 14 | 358 | - | 1,202 |
| - | - | - | - | - | 22,644 |
| - | - | - | - | - | 698 |
| 602 | - | 375 | 3,676 | 138 | 65,470 |
| - | - | 343 | 2,014 | 112 | 12,555 |
| - | - | - | - | - | 72,491 |
| 1,000 | - | 10,884 | 71,126 | 1,488 | 343,895 |
| 40 | - | 423 | 2,677 | 66 | 13,092 |
| 1,040 | - | 11,650 | 75,817 | 1,666 | 442,033 |
| 1,642 | - | 12,025 | 79,493 | 1,804 | 507,503 |
| 1,027 | - | 4,831 | 28,609 | 2,654 | 144,891 |
| 50 | 1,595 | 46 | 884 | - | 28,256 |
| (2,214) | 327 | (14,198) | (88,266) | (4,413) | (428,529) |
| $ (2,164) | $ 1,922 | $ (14,152) | $ (87,382) | $ (4,413) | $ (400,273) |

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**
**INTERNAL SERVICE FUNDS**
**FOR THE YEAR ENDED JUNE 30, 2020**

(DOLLARS IN THOUSANDS)

| | CENTRAL SERVICES | FINANCIAL INFORMATION TECHNOLOGY | INFORMATION TECHNOLOGY | CAPITOL COMPLEX |
|---|---|---|---|---|
| OPERATING REVENUES: | | | | |
| Sales of Goods and Services | $ 64,949 | $ 8,552 | $ 336,560 | $ 20 |
| Rental Income | - | - | - | 14,455 |
| Other | 787 | - | 128 | 1 |
| TOTAL OPERATING REVENUES | 65,736 | 8,552 | 336,688 | 14,476 |
| OPERATING EXPENSES: | | | | |
| Salaries and Fringe Benefits | 4,450 | 1,025 | 143,787 | 1,914 |
| Operating and Travel | 35,691 | 6,924 | 115,426 | 7,225 |
| Depreciation and Amortization | 19,730 | 4,338 | 3,968 | 2,431 |
| Prizes and Awards | - | - | 21 | - |
| TOTAL OPERATING EXPENSES | 59,871 | 12,287 | 263,202 | 11,570 |
| OPERATING INCOME (LOSS) | 5,865 | (3,735) | 73,486 | 2,906 |
| NONOPERATING REVENUES AND (EXPENSES): | | | | |
| Fines and Settlements | 1 | - | - | - |
| Investment Income (Loss) | - | 64 | 1,387 | - |
| Gain/(Loss) on Sale or Impairment of Capital Assets | 1,389 | - | 61 | 49 |
| Insurance Recoveries from Prior Year Impairments | - | - | 18 | 2 |
| Debt Service | (1,826) | (108) | - | (486) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | (436) | (44) | 1,466 | (435) |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | 5,429 | (3,779) | 74,952 | 2,471 |
| CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS: | | | | |
| Capital Contributions | 317 | - | - | - |
| Transfers- In | 389 | 3,713 | 1,230 | 37 |
| Transfers- Out | (249) | (165) | (1,162) | (1,728) |
| TOTAL CONTRIBUTIONS AND TRANSFERS | 457 | 3,548 | 68 | (1,691) |
| CHANGE IN NET POSITION | 5,886 | (231) | 75,020 | 780 |
| NET POSITION - FISCAL YEAR BEGINNING | (16,212) | 5,369 | (355,329) | (9,367) |
| NET POSITION - FISCAL YEAR ENDING | $ (10,326) | $ 5,138 | $ (280,309) | $ (8,587) |

| HIGHWAYS | PUBLIC SAFETY | ADMINISTRATIVE COURTS | LEGAL SERVICES | OTHER INTERNAL SERVICE ACTIVITIES | TOTALS |
|---|---|---|---|---|---|
| $ 1,374 | $ 105 | $ 6,597 | $ 46,441 | $ 1,087 | $ 465,685 |
| - | - | - | - | - | 14,455 |
| - | - | - | 17 | 3 | 936 |
| 1,374 | 105 | 6,597 | 46,458 | 1,090 | 481,076 |
| (482) | 67 | 1,660 | 20,419 | (829) | 172,011 |
| 652 | (224) | 1,209 | 3,946 | 242 | 171,091 |
| 18 | 371 | 4 | 298 | - | 31,158 |
| - | - | - | - | - | 21 |
| 188 | 214 | 2,873 | 24,663 | (587) | 374,281 |
| 1,186 | (109) | 3,724 | 21,795 | 1,677 | 106,795 |
| - | - | - | - | - | 1 |
| - | - | 77 | 477 | (1) | 2,004 |
| - | - | 6 | (4) | - | 1,501 |
| - | - | - | - | - | 20 |
| (14) | - | - | (7) | (2) | (2,443) |
| (14) | - | 83 | 466 | (3) | 1,083 |
| 1,172 | (109) | 3,807 | 22,261 | 1,674 | 107,878 |
| - | - | - | - | - | 317 |
| 8 | - | 1 | - | 2 | 5,380 |
| - | - | (207) | (3,719) | (133) | (7,363) |
| 8 | - | (206) | (3,719) | (131) | (1,666) |
| 1,180 | (109) | 3,601 | 18,542 | 1,543 | 106,212 |
| (3,344) | 2,031 | (17,753) | (105,924) | (5,956) | (506,485) |
| $ (2,164) | $ 1,922 | $ (14,152) | $ (87,382) | $ (4,413) | $ (400,273) |

**COMBINING STATEMENT OF CASH FLOWS**
**INTERNAL SERVICE FUNDS**
**FOR THE YEAR ENDED JUNE 30, 2020**

(DOLLARS IN THOUSANDS)

| | CENTRAL SERVICES | FINANCIAL INFORMATION TECHNOLOGY | INFORMATION TECHNOLOGY | CAPITOL COMPLEX |
|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Cash Received from: | | | | |
| Fees for Service | $ 2,331 | $ - | $ 80 | $ - |
| Receipts for Interfund Services | 62,329 | 8,552 | 336,029 | 16 |
| Sales of Products | 5 | - | 248 | - |
| Income from Property | - | - | - | 14,400 |
| Other Sources | 788 | - | - | - |
| Cash Payments to or for: | | | | |
| Employees | (9,611) | (2,311) | (202,252) | (4,250) |
| Suppliers | (31,372) | (126) | (54,591) | (6,181) |
| Payments for Interfund Services | (3,417) | (6,812) | (51,996) | (879) |
| Other Governments | (1) | - | - | - |
| Other | (44) | (2) | (774) | (3) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 21,008 | (699) | 26,744 | 3,103 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| Transfers- In | 413 | 3,713 | 1,230 | 37 |
| Transfers- Out | (249) | (165) | (1,162) | (1,728) |
| Receipt of Deposits Held in Custody | 731 | - | - | - |
| Release of Deposits Held in Custody | (275) | - | - | - |
| NonCapital Debt Proceeds | - | 87 | - | - |
| NonCapital Debt Service Payments | - | (87) | - | - |
| NET CASH FROM NONCAPITAL FINANCING ACTIVITIES | 620 | 3,548 | 68 | (1,691) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Acquisition of Capital Assets | (30,447) | 24 | (3,038) | (3,736) |
| Proceeds from Sale of Capital Assets | 30,609 | - | 1,724 | 2,195 |
| Capital Debt Service Payments | - | (41) | - | - |
| Capital Lease Payments | (19,436) | (3,857) | - | (486) |
| NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES | (19,274) | (3,874) | (1,314) | (2,027) |

| HIGHWAYS | PUBLIC SAFETY | ADMINISTRATIVE COURTS | LEGAL SERVICES | OTHER INTERNAL SERVICE ACTIVITIES | TOTALS |
|---|---|---|---|---|---|
| $ 4 | $ 34 | $ 8 | $ - | $ 200 | $ 2,657 |
| 14 | 83 | 6,578 | 46,388 | 902 | 460,891 |
| 1,361 | - | - | - | 5 | 1,619 |
| - | - | - | - | - | 14,400 |
| - | - | - | 17 | - | 805 |
| (470) | - | (4,659) | (36,832) | (682) | (261,067) |
| (801) | (9) | (535) | (3,204) | (422) | (97,241) |
| (102) | (9) | (670) | (588) | - | (64,473) |
| - | - | - | - | - | (1) |
| - | - | (1) | (1) | (39) | (864) |
| 6 | 99 | 721 | 5,780 | (36) | 56,726 |
| 8 | - | 1 | - | 2 | 5,404 |
| - | - | (207) | (3,719) | (133) | (7,363) |
| - | - | - | - | - | 731 |
| - | - | - | - | - | (275) |
| - | - | - | - | - | 87 |
| - | - | - | - | - | (87) |
| 8 | - | (206) | (3,719) | (131) | (1,503) |
| - | (346) | (58) | (364) | - | (37,965) |
| - | 294 | 35 | 180 | - | 35,037 |
| (14) | - | - | (7) | (2) | (64) |
| - | - | - | - | - | (23,779) |
| (14) | (52) | (23) | (191) | (2) | (26,771) |

(Continued)

**STATEMENT OF CASH FLOWS, CONTINUED**
**INTERNAL SERVICE FUNDS**
**FOR THE YEAR ENDED JUNE 30, 2020**

(DOLLARS IN THOUSANDS)

| | CENTRAL SERVICES | FINANCIAL INFORMATION TECHNOLOGY | INFORMATION TECHNOLOGY | CAPITOL COMPLEX |
|---|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Interest and Dividends on Investments | - | 5 | - | - |
| Increase(Decrease) from Unrealized Gain(Loss) on Investments | - | 59 | 1,387 | - |
| NET CASH FROM INVESTING ACTIVITIES | - | 64 | 1,387 | - |
| NET INCREASE (DECREASE) IN CASH AND POOLED CASH | 2,354 | (961) | 26,885 | (615) |
| CASH AND POOLED CASH , FISCAL YEAR BEGINNING | 13,191 | 3,453 | 21,759 | 7,684 |
| CASH AND POOLED CASH, FISCAL YEAR END | $ 15,545 | $ 2,492 | $ 48,644 | $ 7,069 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH | | | | |
| PROVIDED BY OPERATING ACTIVITIES | | | | |
| Operating Income (Loss) | $ 5,865 | $ (3,735) | $ 73,486 | $ 2,906 |
| Adjustments to Reconcile Operating Income (Loss) | | | | |
| to Net Cash Provided by Operating Activities: | | | | |
| Depreciation | 19,730 | 4,338 | 3,968 | 2,431 |
| Rents, Fines, Donations, and Grants and Contracts in NonOperating | 1 | - | 29 | 20 |
| Compensated Absences Expense | 436 | 95 | 1,091 | 109 |
| Interest and Other Expense in Operating Income | 1,006 | - | - | 242 |
| Net Changes in Assets, Deferred Outflows, Liabilities, and Deferred | | | | |
| Inflows Related to Operating Activities: | | | | |
| (Increase) Decrease in Operating Receivables | (284) | - | (216) | (31) |
| (Increase) Decrease in Inventories | (206) | - | - | 41 |
| (Increase) Decrease in Other Operating Assets and Deferred Outflows | (4) | 19 | (225) | - |
| (Increase) Decrease in Pension Deferred Outflow | 2,059 | 846 | 27,358 | 1,150 |
| (Increase) Decrease in OPEB Deferred Outflow | (11) | 4 | 56 | 6 |
| Increase (Decrease) in Accounts Payable | 52 | (25) | 9,530 | (99) |
| Increase (Decrease) in Pension Liability | (4,041) | (1,247) | (39,970) | (1,535) |
| Increase (Decrease) in OPEB Liability | (205) | (64) | (1,919) | (82) |
| Increase (Decrease) in Other Operating Liabilities and Deferred Inflows | - | - | (810) | (49) |
| Increase (Decrease) in Pension Deferred Inflow | (3,578) | (984) | (47,284) | (2,076) |
| Increase (Decrease) in OPEB Deferred Inflow | 188 | 54 | 1,650 | 70 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | $ 21,008 | $ (699) | $ 26,744 | $ 3,103 |
| SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS: | | | | |
| Capital Assets Funded by the Capital Projects Fund | 292 | - | - | - |
| Loss on Disposal of Capital and Other Assets | (1,389) | - | (50) | (31) |
| Amortization of Debt Valuation Accounts and Interest Payable Accruals | - | (452) | - | - |
| Assumption of Capital Lease Obligation or Mortgage | 20,288 | - | - | 485 |
| State Support for PERA Pensions | - | 1 | (338) | 3 |

| HIGHWAYS | PUBLIC SAFETY | ADMINISTRATIVE COURTS | LEGAL SERVICES | OTHER INTERNAL SERVICE ACTIVITIES | TOTALS |
|---|---|---|---|---|---|
| - | - | 26 | 177 | - | 208 |
| - | - | 51 | 300 | (1) | 1,796 |
| - | - | 77 | 477 | (1) | 2,004 |
| - | 47 | 569 | 2,347 | (170) | 30,456 |
| - | 269 | 1,324 | 8,961 | 170 | 56,811 |
| $ - | $ 316 | $ 1,893 | $ 11,308 | $ - | $ 87,267 |
| $ 1,186 | $ (109) | $ 3,724 | $ 21,795 | $ 1,677 | $ 106,795 |
| 18 | 371 | 4 | 298 | - | 31,158 |
| - | - | - | - | - | 50 |
| - | - | - | 440 | 80 | 2,251 |
| - | (242) | - | - | - | 1,006 |
| 4 | 12 | (11) | (53) | 21 | (558) |
| (225) | - | - | - | - | (390) |
| - | - | - | 11 | - | (199) |
| 148 | 66 | 1,492 | 7,963 | 708 | 41,790 |
| 1 | 1 | 8 | 14 | 12 | 91 |
| 76 | - | (17) | 467 | (302) | 9,682 |
| (397) | - | (2,197) | (10,659) | (1,778) | (61,824) |
| (19) | - | (113) | (582) | (70) | (3,054) |
| (102) | - | - | 2 | 20 | (939) |
| (692) | - | (2,265) | (14,417) | (454) | (71,750) |
| 8 | - | 96 | 501 | 50 | 2,617 |
| $ 6 | $ 99 | $ 721 | $ 5,780 | $ (36) | $ 56,726 |
| - | - | - | - | - | 292 |
| - | - | (6) | 4 | - | (1,472) |
| - | - | - | - | - | (452) |
| - | - | - | - | - | 20,773 |
| 8 | - | 1 | (94) | 2 | (417) |

# FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the State in its governmental capacity on behalf of local governments, citizens, and other external parties. Pension and Other Employee Benefits Trust Funds and Private Purpose Trust Funds are included in this category. The major components of the fiduciary funds are:

## PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

STATE EMPLOYEE BENEFIT PLANS

This fund was 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 and wellness activity. The State uses a self-funded approach for certain employee and state-official medical claims.

COLORADO STATE UNIVERSITY OTHER POST-EMPLOYMENT BENEFITS TRUST

Colorado State University administers four employee defined benefit healthcare plans as part of a single qualifying trust. The plans provide post-employment subsidies for medical premiums, supplemental prescription benefits and income replacement benefits for long-term disability. The University's Board of Governors has the authority to establish and amend benefits provisions for all plans.

## 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 Position Held in Trust for the amount ultimately expected to be claimed and paid based on analysis of the history of claims paid versus collections. The remaining unclaimed assets are reported in the Unclaimed Property nonmajor Special Revenue Fund.

| | |
|---|---|
| COLLEGE SAVINGS PLAN | The College Savings Plan (commonly referred to as the Scholars Choice Fund) authorized in statute is used to record the deposits, withdrawals, and investment returns of participants in the college savings program. The moneys in the fund are neither insured nor guaranteed by the State. |
| COLLEGE OPPORTUNITY FUND | The College Opportunity Fund (COF) began operations in Fiscal Year 2005-06. It receives stipends appropriated by the Legislature and distributes them to qualified institutions on behalf of students attending public and certain private institutions of higher education in the State. The appropriated amounts are held in trust in the COF until the institutions apply for the stipend on behalf of the students. Any unused stipends remain in the COF and do not revert to the State. |
| 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 Certificates of Participation or revenue Bonds for Higher Education Institutions, Building Excellent Schools Today (BEST), the Bridge Enterprise program; and assets invested for the Colorado Water Resources and Power Development Authority (a discretely presented component unit).

## COMBINING STATEMENT OF FIDUCIARY NET POSITION
## PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
## JUNE 30, 2020

| (DOLLARS IN THOUSANDS) | STATE EMPLOYEE BENEFIT PLANS | COLORADO STATE UNIVERSITY OTHER POST- EMPLOYMENT BENEFITS TRUST | TOTALS |
|---|---|---|---|
| ASSETS: | | | |
| Cash and Pooled Cash | $ 110,152 | $ - | $ 110,152 |
| Other Receivables, net | 1,628 | 161 | 1,789 |
| Due From Other Funds | 1,860 | - | 1,860 |
| Investments: | | | |
| Government Securities | - | 6,049 | 6,049 |
| Corporate Bonds | - | 10,820 | 10,820 |
| Asset Backed Securities | - | 1,013 | 1,013 |
| Mortgages | - | 6,270 | 6,270 |
| Mutual Funds | - | 34,839 | 34,839 |
| Other Investments | - | 25,471 | 25,471 |
| TOTAL ASSETS | 113,640 | 84,623 | 198,263 |
| | | | |
| LIABILITIES: | | | |
| Accounts Payable and Accrued Liabilities | 23,595 | 96 | 23,691 |
| Due To Other Funds | 4 | - | 4 |
| Intrafund Payables | 1 | - | 1 |
| Claims and Judgments Payable | 22,928 | - | 22,928 |
| Accrued Compensated Absences | 139 | - | 139 |
| TOTAL LIABILITIES | 46,667 | 96 | 46,763 |
| | | | |
| NET POSITION: | | | |
| Restricted for: | | | |
| OPEB | - | 84,527 | 84,527 |
| Pension/Benefit Plan Participants | 66,973 | - | 66,973 |
| TOTAL NET POSITION | $ 66,973 | $ 84,527 | $ 151,500 |

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
## PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
## FOR THE YEAR ENDED JUNE 30, 2020

| (DOLLARS IN THOUSANDS) | STATE EMPLOYEE BENEFIT PLANS | COLORADO STATE UNIVERSITY OTHER POST-EMPLOYMENT BENEFITS TRUST | TOTALS |
|---|---|---|---|
| ADDITIONS: | | | |
| Member Contributions | $ 90,575 | $ 1,811 | $ 92,386 |
| Employer Contributions | 380,681 | 136 | 380,817 |
| Investment Income/(Loss) | 4,565 | 2,109 | 6,674 |
| Other Additions | 4,927 | - | 4,927 |
| Transfers-In | 1,576 | - | 1,576 |
| TOTAL ADDITIONS | 482,324 | 4,056 | 486,380 |
| DEDUCTIONS: | | | |
| Distributions to Participants | - | 3,250 | 3,250 |
| Health Insurance Premiums Paid | 159,672 | - | 159,672 |
| Health Insurance Claims Paid | 244,489 | - | 244,489 |
| Other Benefits Plan Expense | 32,270 | - | 32,270 |
| Other Deductions | 21,569 | 233 | 21,802 |
| Transfers-Out | 205 | - | 205 |
| TOTAL DEDUCTIONS | 458,205 | 3,483 | 461,688 |
| CHANGE IN NET POSITION | 24,119 | 573 | 24,692 |
| NET POSITION - FISCAL YEAR BEGINNING | 42,854 | 83,954 | 126,808 |
| NET POSITION - FISCAL YEAR ENDING | $ 66,973 | $ 84,527 | $ 151,500 |

**COMBINING STATEMENT OF FIDUCIARY NET POSITION**
**PRIVATE PURPOSE TRUST FUNDS**
**JUNE 30, 2020**

| (DOLLARS IN THOUSANDS) | TREASURER'S | UNCLAIMED PROPERTY | COLLEGE SAVINGS PLAN | COLLEGE OPPORTUNITY FUND | OTHER | TOTALS |
|---|---|---|---|---|---|---|
| ASSETS: | | | | | | |
| Cash and Pooled Cash | $ 15,452 | $ 185,317 | $ 645 | $ 204 | $ 12,613 | $ 214,231 |
| Other Receivables, net | 51 | - | 17,089 | - | 838 | 17,978 |
| Due From Other Funds | - | - | 12,022 | - | - | 12,022 |
| Restricted Cash and Pooled Cash | - | - | 76,643 | - | - | 76,643 |
| Investments: | | | | | | |
| Government Securities | - | - | - | - | 480 | 480 |
| Mortgages | - | 19,407 | - | - | - | 19,407 |
| Mutual Funds | - | - | 9,081,666 | - | - | 9,081,666 |
| Guaranteed Investment Contracts | | - | 159,686 | | - | 159,686 |
| Other Investments | - | - | 943 | - | - | 943 |
| TOTAL ASSETS | 15,503 | 204,724 | 9,348,694 | 204 | 13,931 | 9,583,056 |
| | | | | | | |
| LIABILITIES: | | | | | | |
| Accounts Payable and Accrued Liabilities | $ - | $ - | $ 16,048 | $ - | $ 7,584 | $ 23,632 |
| Due To Other Funds | - | - | 317 | - | - | 317 |
| Unearned Revenue | - | - | 18,452 | - | 5,019 | 23,471 |
| Deposits Held In Custody For Others | - | - | 6,364 | - | - | 6,364 |
| TOTAL LIABILITIES | - | - | 41,181 | - | 12,603 | 53,784 |
| | | | | | | |
| NET POSITION: | | | | | | |
| Restricted for: | | | | | | |
| Individuals, Organizations, and Other Entities | 15,503 | 204,724 | 9,307,513 | 204 | 1,328 | 9,529,272 |
| TOTAL NET POSITION | $ 15,503 | $ 204,724 | $ 9,307,513 | $ 204 | $ 1,328 | $ 9,529,272 |

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
## PRIVATE PURPOSE TRUST FUNDS
## FOR THE YEAR ENDED JUNE 30, 2020

| (DOLLARS IN THOUSANDS) | TREASURER'S | UNCLAIMED PROPERTY | COLLEGE SAVINGS PLAN | COLLEGE OPPORTUNITY FUND | OTHER | TOTALS |
|---|---|---|---|---|---|---|
| ADDITIONS: | | | | | | |
| Additions By Participants | $ - | $ - | $ 1,066,765 | $ 353,018 | $ 13,083 | $ 1,432,866 |
| Investment Income/(Loss) | 720 | 6,525 | 355,750 | - | 516 | 363,511 |
| Unclaimed Property Receipts | - | 59,218 | - | - | - | 59,218 |
| Other Additions | 1,075 | - | 1,239 | - | 1,008 | 3,322 |
| Transfers- In | - | - | - | - | 1 | 1 |
| TOTAL ADDITIONS | 1,795 | 65,743 | 1,423,754 | 353,018 | 14,608 | 1,858,918 |
| DEDUCTIONS: | | | | | | |
| Distributions to Participants | - | - | - | 352,835 | - | 352,835 |
| Payments in Accordance with Trust Agreements | 720 | 47,382 | 913,920 | - | 14,340 | 976,362 |
| Transfers- Out | - | - | - | - | 35 | 35 |
| TOTAL DEDUCTIONS | 720 | 47,382 | 913,920 | 352,835 | 14,375 | 1,329,232 |
| CHANGE IN NET POSITION | 1,075 | 18,361 | 509,834 | 183 | 233 | 529,686 |
| NET POSITION - FISCAL YEAR BEGINNING | 14,428 | 186,363 | 8,797,679 | 21 | 1,095 | 8,999,586 |
| NET POSITION - FISCAL YEAR ENDING | $ 15,503 | $ 204,724 | $ 9,307,513 | $ 204 | $ 1,328 | $ 9,529,272 |

## COMBINING STATEMENT OF CHANGES
## IN FIDUCIARY ASSETS AND LIABILITIES
## AGENCY FUNDS
## FOR THE FISCAL YEAR ENDED JUNE 30, 2020

***DEPARTMENT OF REVENUE AGENCY FUNDS***

| (DOLLARS IN THOUSANDS) | BALANCE JULY 1 | ADDITIONS | DEDUCTIONS | BALANCE JUNE 30 |
|---|---|---|---|---|
| ASSETS: | | | | |
| Cash and Pooled Cash | $ 163,001 | $ 2,041,271 | $ 2,032,756 | $ 171,516 |
| Taxes Receivable, net | 196,170 | 253,194 | 228,255 | 221,109 |
| Other Receivables, net | - | 1,457 | 151 | 1,306 |
| Due From Other Funds | 201 | 201 | 402 | - |
| TOTAL ASSETS | $ 359,372 | $ 2,296,123 | $ 2,261,564 | $ 393,931 |
| LIABILITIES: | | | | |
| Tax Refunds Payable | $ 2,937 | $ 1,647 | $ 2,937 | $ 1,647 |
| Accounts Payable and Accrued Liabilities | - | 55,624 | 51,796 | 3,828 |
| Due To Other Governments | 355,042 | 2,308,641 | 2,277,870 | 385,813 |
| Due To Other Funds | - | 124 | - | 124 |
| Claims and Judgments Payable | 69 | 772 | 783 | 58 |
| Other Current Liabilities | 735 | 2,272 | 576 | 2,431 |
| Other Long-Term Liabilities | 589 | 30 | 589 | 30 |
| TOTAL LIABILITIES | $ 359,372 | $ 2,369,110 | $ 2,334,551 | $ 393,931 |

## COMBINING STATEMENT OF CHANGES
## IN FIDUCIARY ASSETS AND LIABILITIES
## AGENCY FUNDS
## FOR THE FISCAL YEAR ENDED JUNE 30, 2020

***OTHER AGENCY FUNDS***

| (DOLLARS IN THOUSANDS) | BALANCE JULY 1 | ADDITIONS | DEDUCTIONS | BALANCE JUNE 30 |
|---|---|---|---|---|
| ASSETS: | | | | |
| Cash and Pooled Cash | $ 143,814 | $ 237,834 | $ 192,065 | $ 189,583 |
| Taxes Receivable, net | 8,215 | 10,129 | 9,652 | 8,692 |
| Other Receivables, net | 296 | 814 | 702 | 408 |
| Inventories | 5 | - | 5 | - |
| Other Long-Term Assets | 8,821 | 586 | 668 | 8,739 |
| TOTAL ASSETS | $ 161,151 | $ 249,363 | $ 203,092 | $ 207,422 |
| LIABILITIES: | | | | |
| Tax Refunds Payable | $ 123 | $ 49 | $ 123 | $ 49 |
| Accounts Payable and Accrued Liabilities | 788 | 23,276 | 23,160 | 904 |
| Due To Other Governments | 14,664 | 114,530 | 113,655 | 15,539 |
| Due To Other Funds | - | 7,633 | 7,623 | 10 |
| Claims and Judgments Payable | - | 177 | 177 | - |
| Other Current Liabilities | 145,123 | 171,374 | 125,811 | 190,686 |
| Deposits Held In Custody For Others | 428 | - | 196 | 232 |
| Other Long-Term Liabilities | 25 | 2 | 25 | 2 |
| TOTAL LIABILITIES | $ 161,151 | $ 317,041 | $ 270,770 | $ 207,422 |

**COMBINING STATEMENT OF CHANGES**
**IN FIDUCIARY ASSETS AND LIABILITIES**
**AGENCY FUNDS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

***DEPARTMENT OF TREASURY AGENCY FUNDS***

| (DOLLARS IN THOUSANDS) | BALANCE JULY 1 | ADDITIONS | DEDUCTIONS | BALANCE JUNE 30 |
|---|---|---|---|---|
| ASSETS: | | | | |
| Cash and Pooled Cash | $ 1,220,829 | $ 1,063,250 | $ 637,644 | $ 1,646,435 |
| Other Receivables, net | - | 277 | 242 | 35 |
| Due From Other Funds | - | 21,969 | 3,493 | 18,476 |
| Due From Component Units | 107 | 113 | 107 | 113 |
| TOTAL ASSETS | $ 1,220,936 | $ 1,085,609 | $ 641,486 | $ 1,665,059 |
| LIABILITIES: | | | | |
| Accounts Payable and Accrued Liabilities | $ 15 | $ 461 | $ 460 | $ 16 |
| Other Current Liabilities | 1,188,323 | 1,110,669 | 637,964 | 1,661,028 |
| Deposits Held In Custody For Others | 32,598 | 758 | 29,341 | 4,015 |
| TOTAL LIABILITIES | $ 1,220,936 | $ 1,111,888 | $ 667,765 | $ 1,665,059 |

**COMBINING STATEMENT OF CHANGES**
**IN FIDUCIARY ASSETS AND LIABILITIES**
**AGENCY FUNDS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

***TOTALS - ALL AGENCY FUNDS***

| (DOLLARS IN THOUSANDS) | BALANCE JULY 1 | ADDITIONS | DEDUCTIONS | BALANCE JUNE 30 |
|---|---|---|---|---|
| ASSETS: | | | | |
| Cash and Pooled Cash | $ 1,527,644 | $ 3,342,355 | $ 2,862,465 | $ 2,007,534 |
| Taxes Receivable, net | 204,385 | 263,323 | 237,907 | 229,801 |
| Other Receivables, net | 296 | 2,548 | 1,095 | 1,749 |
| Due From Other Funds | 201 | 22,170 | 3,895 | 18,476 |
| Due From Component Units | 107 | 113 | 107 | 113 |
| Inventories | 5 | - | 5 | - |
| Other Long-Term Assets | 8,821 | 586 | 668 | 8,739 |
| TOTAL ASSETS | $ 1,741,459 | $ 3,631,095 | $ 3,106,142 | $ 2,266,412 |
| LIABILITIES: | | | | |
| Tax Refunds Payable | $ 3,060 | $ 1,696 | $ 3,060 | $ 1,696 |
| Accounts Payable and Accrued Liabilities | 803 | 79,361 | 75,416 | 4,748 |
| Due To Other Governments | 369,706 | 2,423,171 | 2,391,525 | 401,352 |
| Due To Other Funds | - | 7,757 | 7,623 | 134 |
| Claims and Judgments Payable | 69 | 949 | 960 | 58 |
| Other Current Liabilities | 1,334,181 | 1,284,315 | 764,351 | 1,854,145 |
| Deposits Held In Custody For Others | 33,026 | 758 | 29,537 | 4,247 |
| Other Long-Term Liabilities | 614 | 32 | 614 | 32 |
| TOTAL LIABILITIES | $ 1,741,459 | $ 3,798,039 | $ 3,273,086 | $ 2,266,412 |

# COMPONENT UNITS

The following statements present the Other Component Units (Nonmajor) aggregated in the combined component unit statements.  Descriptions of each of the component units presented can be found in Note 1.

**COMBINING STATEMENT OF NET POSITION**
**OTHER COMPONENT UNITS (NONMAJOR)**
**JUNE 30, 2020**

| (DOLLARS IN THOUSANDS) | DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT | HLC @ METRO | STATEWIDE INTERNET PORTAL AUTHORITY | TOTAL |
|---|---|---|---|---|
| ASSETS: | | | | |
| Current Assets: | | | | |
| Cash and Pooled Cash | $ 842 | $ 284 | $ 2,856 | $ 3,982 |
| Other Receivables, net | 2,718 | - | 4,020 | 6,738 |
| Prepaids, Advances and Deposits | - | - | 969 | 969 |
| Other Current Assets | - | - | 3,821 | 3,821 |
| Total Current Assets | 3,560 | 284 | 11,666 | 15,510 |
| Noncurrent Assets: | | | | |
| Restricted Cash and Pooled Cash | 884 | - | 5,000 | 5,884 |
| Other Long-Term Assets | 218 | - | - | 218 |
| Depreciable Capital Assets and Infrastructure, net | 151,461 | - | 8 | 151,469 |
| Land and Nondepreciable Capital Assets | 25,335 | - | - | 25,335 |
| Total Noncurrent Assets | 177,898 | - | 5,008 | 182,906 |
| TOTAL ASSETS | 181,458 | 284 | 16,674 | 198,416 |
| DEFERRED OUTFLOW OF RESOURCES: | - | - | 115 | 115 |
| LIABILITIES: | | | | |
| Current Liabilities: | | | | |
| Accounts Payable and Accrued Liabilities | 4,592 | 284 | 2,904 | 7,780 |
| Unearned Revenue | - | - | 4,816 | 4,816 |
| Other Current Liabilities | 1,000 | 272 | 811 | 2,083 |
| Total Current Liabilities | 5,592 | 556 | 8,531 | 14,679 |
| Noncurrent Liabilities: | | | | |
| Net Pension Liability | - | - | 716 | 716 |
| Other Postemployment Benefits | - | - | 83 | 83 |
| Other Long-Term Liabilities | 6,000 | 195 | - | 6,195 |
| Total Noncurrent Liabilities | 6,000 | 195 | 799 | 6,994 |
| TOTAL LIABILITIES | 11,592 | 751 | 9,330 | 21,673 |
| DEFERRED INFLOW OF RESOURCES: | - | - | 308 | 308 |
| NET POSITION: | | | | |
| Net investment in Capital Assets: | 176,796 | - | 8 | 176,804 |
| Restricted for: | | | | |
| Other Purposes | 1,221 | - | - | 1,221 |
| Unrestricted | (8,151) | (467) | 7,143 | (1,475) |
| TOTAL NET POSITION | $ 169,866 | $ (467) | $ 7,151 | $ 176,550 |

**COMBINING STATEMENT OF ACTIVITIES**
**OTHER COMPONENT UNITS (NONMAJOR)**
**FOR THE YEAR ENDED JUNE 30, 2020**

| (DOLLARS IN THOUSANDS) | DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT | HLC @ METRO | STATEWIDE INTERNET PORTAL AUTHORITY | TOTAL |
|---|---|---|---|---|
| EXPENSES | $ 7,800 | $ 2,935 | $ 32,031 | $ 42,766 |
| PROGRAM REVENUES: | | | | |
| Charges for Services | 9,675 | 6,956 | 33,013 | 49,644 |
| Operating Grants and Contributions | - | 32 | - | 32 |
| Capital Grants and Contributions | 3,184 | 793 | - | 3,977 |
| TOTAL PROGRAM REVENUES: | 12,859 | 7,781 | 33,013 | 53,653 |
| NET (EXPENSE) REVENUE | 5,059 | 4,846 | 982 | 10,887 |
| GENERAL REVENUES: | | | | |
| Unrestricted Investment Earnings (Losses) | 37 | 91 | - | 128 |
| TOTAL GENERAL REVENUES | 37 | 91 | - | 128 |
| CHANGE IN NET POSITION | 5,096 | 4,937 | 982 | 11,015 |
| NET POSITION - FISCAL YEAR BEGINNING | 164,770 | (5,404) | - | 159,366 |
| Prior Period Adjustment (See Note 15A) | - | - | - | - |
| Accounting Changes (See Note 15B) | - | - | 6,169 | 6,169 |
| NET POSITION - FISCAL YEAR BEGINNING (Restated) | 164,770 | (5,404) | 6,169 | 165,535 |
| NET POSITION - FISCAL YEAR ENDING | $ 169,866 | $ (467) | $ 7,151 | $ 176,550 |

# NON-APPROPRIATED BUDGET SCHEDULES

The schedules on the following pages provide, by department, nonappropriated budget-to-actual activity. The budgets are based on a variety of sources that are not subject to appropriation by the General Assembly that generally include most federal awards, custodial agreements, and Colorado statutes. In Higher Education Institutions informational only appropriations for tuition and certain fees contained in the State's legislative appropriations act are not controlling. Therefore, expenditures may exceed recorded budgets in these appropriations.

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS BUDGET AND ACTUAL - NON-APPROPRIATED GENERAL FUNDED FOR THE YEAR ENDED JUNE 30, 2020

| (DOLLARS IN THOUSANDS) | ORIGINAL APPROPRIATION | FINAL SPENDING AUTHORITY | ACTUAL | (OVER)/UNDER SPENDING AUTHORITY |
|---|---|---|---|---|
| REVENUES AND TRANSFERS-IN: | | | | |
| Sales and Other Excise Taxes | | | $ 363,594 | |
| Income Taxes | | | 844,095 | |
| Other Taxes | | | 32,671 | |
| Sales and Services | | | 234 | |
| Interest Earnings | | | 3,007 | |
| Other Revenues | | | 2,503 | |
| Transfers-In | | | 19,186 | |
| TOTAL REVENUES AND TRANSFERS-IN | | | 1,265,290 | |
| EXPENDITURES AND TRANSFERS-OUT: | | | | |
| Operating Budgets: | | | | |
| Departmental: | | | | |
| Governor | $ - | $ 210 | 210 | $ - |
| Health Care Policy and Financing | - | 6,057 | 5,468 | 589 |
| Higher Education | - | 445 | 445 | - |
| Human Services | - | 223 | 199 | 24 |
| Local Affairs | 4,375 | 4,375 | 4,287 | 88 |
| Personnel & Administration | - | 866 | 861 | 5 |
| Public Health and Environment | - | 1,981 | 1,981 | - |
| Revenue | 257,470 | 362,537 | 341,412 | 21,125 |
| Treasury | 789,667 | 789,667 | 659,265 | 130,402 |
| Transfers Not Appropriated by Department | 112,692 | 112,692 | 112,692 | - |
| SUB-TOTAL OPERATING BUDGETS | 1,164,204 | 1,279,053 | 1,126,820 | 152,233 |
| TOTAL EXPENDITURES AND TRANSFERS-OUT | $ 1,164,204 | $ 1,279,053 | 1,126,820 | $ 152,233 |
| EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT | | | $ 138,470 | |

## SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCES/NET POSITION - BUDGETARY BASIS BUDGET AND ACTUAL - NON-APPROPRIATED CASH FUNDED FOR THE YEAR ENDED JUNE 30, 2020

| (DOLLARS IN THOUSANDS) | ORIGINAL APPROPRIATION | FINAL SPENDING AUTHORITY | ACTUAL | (OVER)/UNDER SPENDING AUTHORITY |
|---|---|---|---|---|
| REVENUES AND TRANSFERS-IN: | | | | |
| Sales and Other Excise Taxes | | | $ 873,830 | |
| Other Taxes | | | 810,461 | |
| Tuition and Fees | | | 372,878 | |
| Sales and Services | | | 1,777,598 | |
| Interest Earnings | | | 556,562 | |
| Other Revenues | | | 3,984,245 | |
| Transfers-In | | | 6,774,673 | |
| TOTAL REVENUES AND TRANSFERS-IN | | | 15,150,247 | |
| EXPENDITURES/EXPENSES AND TRANSFERS-OUT: | | | | |
| Operating Budgets: | | | | |
| Departmental: | | | | |
| Agriculture | $ 2,364 | $ 5,784 | 4,993 | $ 791 |
| Corrections | 28,236 | 29,534 | 22,026 | 7,508 |
| Education | 4,419,722 | 4,409,622 | 4,397,073 | 12,549 |
| Governor | 451,355 | 457,532 | 203,381 | 254,151 |
| Health Care Policy and Financing | 20,434 | 22,621 | 5,561 | 17,060 |
| Higher Education | 1,930,198 | 1,991,007 | 1,798,606 | 192,401 |
| Human Services | 362,982 | 186,932 | 149,279 | 37,653 |
| Judicial Branch | 47,256 | 65,108 | 55,704 | 9,404 |
| Labor and Employment | 1,152,640 | 1,519,208 | 1,632,813 | (113,605) |
| Law | 25,166 | 25,524 | 7,525 | 17,999 |
| Legislative Branch | 16,619 | 16,619 | 3,377 | 13,242 |
| Local Affairs | 321,273 | 338,742 | 186,991 | 151,751 |
| Military and Veterans Affairs | 5,266 | 5,266 | 4,658 | 608 |
| Natural Resources | 862,399 | 879,732 | 407,965 | 471,767 |
| Personnel & Administration | 576,235 | 583,292 | 547,536 | 35,756 |
| Public Health and Environment | 99,782 | 170,340 | 36,706 | 133,634 |
| Public Safety | 263,352 | 263,666 | 130,077 | 133,589 |
| Regulatory Agencies | 20,202 | 20,694 | 1,219 | 19,475 |
| Revenue | 856,334 | 1,018,546 | 931,087 | 87,459 |
| State | 9,073 | 9,073 | 5,142 | 3,931 |
| Transportation | 4,378,526 | 4,379,001 | 1,278,367 | 3,100,634 |
| Treasury | 2,776,680 | 2,825,185 | 2,350,680 | 474,505 |
| Budgets/Transfers Not Recorded by Department | 93,264 | 118,665 | 118,691 | (26) |
| SUB-TOTAL OPERATING BUDGETS | 18,719,358 | 19,341,693 | 14,279,457 | 5,062,236 |
| Capital and Multi-Year Budgets: | | | | |
| Departmental: | | | | |
| Agriculture | - | 2,210 | 164 | 2,046 |
| Corrections | - | 8,133 | 5,065 | 3,068 |
| Education | - | 1,131 | 120 | 1,011 |
| Governor | - | 557 | 362 | 195 |
| Higher Education | - | 59,437 | 25,185 | 34,252 |
| Human Services | 2,211 | 23,722 | 2,959 | 20,763 |
| Military and Veterans Affairs | - | 638 | 34 | 604 |
| Natural Resources | 14,037 | 34,264 | 17,605 | 16,659 |
| Personnel & Administration | - | 14,496 | 4,013 | 10,483 |
| Public Health and Environment | - | 1,700 | - | 1,700 |
| Public Safety | - | 697 | 476 | 221 |
| SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS | 16,248 | 146,985 | 55,983 | 91,002 |
| TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT | $ 18,735,606 | $ 19,488,678 | 14,335,440 | $ 5,153,238 |
| EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT | | | $ 814,807 | |

**SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES,**
**AND CHANGES IN FUND BALANCES/NET POSITION - BUDGETARY BASIS**
**BUDGET AND ACTUAL - NON-APPROPRIATED FEDERALLY FUNDED**
**FOR THE YEAR ENDED JUNE 30, 2020**

| (DOLLARS IN THOUSANDS) | ORIGINAL APPROPRIATION | FINAL SPENDING AUTHORITY | ACTUAL | (OVER)/UNDER SPENDING AUTHORITY |
|---|---|---|---|---|
| REVENUES AND TRANSFERS-IN: | | | | |
| Federal Grants and Contracts | | | $ 9,037,994 | |
| TOTAL REVENUES AND TRANSFERS-IN | | | 9,037,994 | |
| EXPENDITURES/EXPENSES AND TRANSFERS-OUT: | | | | |
| Capital and Multi-Year Budgets: | | | | |
| Departmental: | | | | |
| Agriculture | $ 3,910 | $ 10,430 | 5,096 | $ 5,334 |
| Corrections | 7,175 | 9,021 | 7,370 | 1,651 |
| Education | 619,446 | 1,622,588 | 1,133,893 | 488,695 |
| Governor | 83,702 | 1,869,959 | 1,342,068 | 527,891 |
| Health Care Policy and Financing | 313,105 | 469,304 | 366,809 | 102,495 |
| Higher Education | 925,900 | 1,284,495 | 272,623 | 1,011,872 |
| Human Services | 302,928 | 1,581,093 | 1,324,738 | 256,355 |
| Judicial Branch | 9,994 | 28,667 | 18,070 | 10,597 |
| Labor and Employment | 4,126,469 | 4,550,157 | 3,284,179 | 1,265,978 |
| Law | 2,354 | 2,389 | 1,800 | 589 |
| Local Affairs | 82,121 | 571,721 | 187,088 | 384,633 |
| Military and Veterans Affairs | 118,541 | 45,282 | 19,739 | 25,543 |
| Natural Resources | 26,748 | 102,244 | 50,177 | 52,067 |
| Personnel & Administration | - | 442 | 208 | 234 |
| Public Health and Environment | 317,478 | 674,001 | 284,143 | 389,858 |
| Public Safety | 70,080 | 555,079 | 129,433 | 425,646 |
| Regulatory Agencies | 1,323 | 181,654 | 3,849 | 177,805 |
| Revenue | 1,036 | 3,111 | - | 3,111 |
| State | - | 20,755 | 825 | 19,930 |
| Transportation | 621,467 | 1,248,979 | 603,070 | 645,909 |
| Treasury | 74,252 | 74,252 | 74,252 | - |
| SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS | 7,708,029 | 14,905,623 | 9,109,430 | 5,796,193 |
| TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT | $ 7,708,029 | $ 14,905,623 | 9,109,430 | $ 5,796,193 |
| EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT | | | $ (71,436) | |

# SCHEDULE OF TABOR REVENUE AND COMPUTATIONS

**STATE OF COLORADO**
**OFFICE OF THE STATE CONTROLLER**
**COMPARISON OF NONEXEMPT TABOR REVENUES**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

| | Fiscal Year 2020 | Fiscal Year 2019 | Increase (Decrease) | Percent Change |
|---|---|---|---|---|
| **GENERAL REVENUES** | | | | |
| Individual Income Tax, Net | $ 8,032,399,506 | $ 7,554,025,207 | $ 478,374,299 | 6.3% |
| Sales and Use Tax, Net | 3,406,516,314 | 3,399,519,069 | 6,997,245 | 0.2% |
| Corporate Income Tax, Net | 670,434,333 | 855,706,743 | (185,272,410) | -21.7% |
| Insurance Taxes | 337,417,807 | 314,663,520 | 22,754,287 | 7.2% |
| Tobacco Products Tax, Net | 56,910,411 | 54,840,609 | 2,069,802 | 3.8% |
| Alcoholic Beverages Tax, Net | 50,069,739 | 48,304,172 | 1,765,567 | 3.7% |
| Interest and Investment Income | 29,238,671 | 24,560,039 | 4,678,632 | 19.0% |
| Fiduciary Income Tax, Net | 24,275,951 | 64,239,350 | (39,963,399) | -62.2% |
| Court and Other Fines | 10,172,014 | 25,517,610 | (15,345,596) | -60.1% |
| Business Licenses and Permits | 7,352,054 | 5,817,416 | 1,534,638 | 26.4% |
| General Government Service Fees | 2,371,028 | 1,020,382 | 1,350,646 | 132.4% |
| Miscellaneous Revenue | 2,014,974 | 1,559,959 | 455,015 | 29.2% |
| Gaming and Other Taxes | 348,916 | 509,843 | (160,927) | -31.6% |
| Welfare Service Fees | 19,130 | 8,434 | 10,696 | 126.8% |
| Other Charges For Services | 6,349 | 47,443 | (41,094) | -86.6% |
| Public Safety Service Fees | - | 55,650 | (55,650) | -100.0% |
| **TOTAL GENERAL-FUNDED REVENUES** | 12,629,547,197 | 12,350,395,446 | 279,151,751 | 2.3% |
| **PROGRAM REVENUES** | | | | |
| Fuel and Transportation Taxes, Net | 626,572,328 | 658,121,910 | (31,549,582) | -4.8% |
| Motor Vehicle Registrations | 274,372,225 | 280,349,502 | (5,977,277) | -2.1% |
| Business Licenses and Permits | 189,101,472 | 181,683,801 | 7,417,671 | 4.1% |
| Other Charges For Services | 165,603,803 | 168,598,785 | (2,994,982) | -1.8% |
| Court and Other Fines | 161,582,265 | 178,205,261 | (16,622,996) | -9.3% |
| Severance Taxes | 116,842,809 | 241,727,089 | (124,884,280) | -51.7% |
| Miscellaneous Revenue | 89,106,173 | 54,481,376 | 34,624,797 | 63.6% |
| Interest and Investment Income | 87,602,502 | 88,757,023 | (1,154,521) | -1.3% |
| Health Service Fees | 87,432,522 | 86,491,292 | 941,230 | 1.1% |
| General Government Service Fees | 69,097,425 | 75,704,774 | (6,607,349) | -8.7% |
| Gaming and Other Taxes | 68,201,119 | 105,662,962 | (37,461,843) | -35.5% |
| Rents and Royalties | 60,701,670 | 64,951,667 | (4,249,997) | -6.5% |
| Driver's Licenses | 40,293,015 | 42,278,947 | (1,985,932) | -4.7% |
| Employment Taxes | 38,075,619 | 34,090,799 | 3,984,820 | 11.7% |
| Sales and Use Tax, Net | 37,220,152 | 41,112,066 | (3,891,914) | -9.5% |
| Nonbusiness Licenses and Permits | 30,163,475 | 30,649,735 | (486,260) | -1.6% |
| Certifications and Inspections | 24,125,659 | 22,102,796 | 2,022,863 | 9.2% |
| Insurance Taxes | 22,336,255 | 20,079,543 | 2,256,712 | 11.2% |
| Public Safety Service Fees | 20,531,842 | 20,347,834 | 184,008 | 0.9% |
| Higher Education Auxiliary Sales and Services | 10,495,912 | 3,935,786 | 6,560,126 | 166.7% |
| Local Governments and Authorities | 10,489,500 | 24,220,711 | (13,731,211) | -56.7% |
| Educational Fees | 8,572,913 | 9,178,478 | (605,565) | -6.6% |
| Welfare Service Fees | 2,434,777 | 1,902,015 | 532,762 | 28.0% |
| Sales of Products | 2,046,394 | 2,312,622 | (266,228) | -11.5% |
| Alcoholic Beverages Tax, Net | 830,922 | 819,571 | 11,351 | 1.4% |
| Other Excise Taxes, Net | 374,075 | 257,238 | 116,837 | 45.4% |
| Tobacco Products Tax, Net | 415 | 424 | (9) | -2.1% |
| Estate and Inheritance Taxes | - | 169 | (169) | -100.0% |
| **TOTAL PROGRAM REVENUES** | 2,244,207,238 | 2,438,024,176 | (193,816,938) | -7.9% |
| **TOTAL NONEXEMPT REVENUE** | $ 14,873,754,435 | $ 14,788,419,622 | $ 85,334,813 | 0.6% |

STATE OF COLORADO
SCHEDULE OF COMPUTATIONS REQUIRED
UNDER ARTICLE X, SECTION 20
AS OF JUNE 30, 2020

| | FISCAL YEAR 2019 | FISCAL YEAR 2020 |
|---|---|---|
| **COMPUTATION OF NONEXEMPT REVENUES** | | |
| Total State Expenditures | $ 47,709,288,359 | $ 55,162,985,473 |
| Less Exempt Enterprises Expenses: | | |
| Higher Education Enterprises | 9,765,775,281 | 10,047,487,619 |
| Unemployment Compensation Section | 384,654,531 | 4,767,292,851 |
| Colorado Healthcare Affordability and Sustainability Enterprise | 3,430,425,656 | 3,531,659,327 |
| CollegeInvest | 877,688,744 | 926,156,300 |
| State Lottery | 678,705,486 | 654,964,236 |
| College Assist | 542,600,604 | 554,338,534 |
| Parks and Wildlife | 217,788,580 | 208,898,106 |
| Correctional Industries | 68,448,600 | 56,530,274 |
| State Nursing Homes | 47,137,788 | 46,527,686 |
| Petroleum Storage Tank Fund | 37,604,936 | 35,304,621 |
| Statewide Transportation Enterprise | 20,515,850 | 23,618,477 |
| Statewide Bridge Enterprise | 12,605,239 | 14,731,470 |
| Electronic Recording Technology Fund | 2,565,594 | 4,349,354 |
| Clean Screen Authority | 2,940,192 | 3,608,601 |
| Brand Board | 3,982,694 | 3,020,702 |
| Capitol Parking Authority | 751,687 | 1,167,736 |
| Front Range Waste Diversion Enterprise | - | 84,895 |
| Health Insurance Affordability Enterprise | - | 8,000 |
| Subtotal Enterprise Expenses | 16,094,191,462 | 20,879,748,789 |
| Total District Expenditures | 31,615,096,897 | 34,283,236,684 |
| Less Exempt District Revenues: | | |
| Interfund Transfers | 8,640,387,638 | 9,290,193,069 |
| Federal Funds | 6,681,094,966 | 7,868,739,443 |
| Other Sources and Additions (Note 7) | 1,492,961,744 | 1,573,852,250 |
| Voter Approved Revenue Changes (Note 8) | 1,112,149,036 | 1,143,007,792 |
| Exempt Investment Income | 238,472,414 | 283,817,453 |
| Property Sales | 161,928,058 | 185,838,027 |
| Damage Awards | 105,223,336 | 100,284,626 |
| Gifts | 181,128,109 | 77,822,991 |
| Subtotal Exempt District Revenues | 18,613,345,301 | 20,523,555,651 |
| Nonexempt District Expenditures | 13,001,751,596 | 13,759,681,033 |
| District Reserve/Fund Balance Increase (Decrease) | 1,358,332,520 | 1,196,691,779 |
| Excess TABOR Revenues | 428,335,506 | (82,618,377) |
| Total Nonexempt District Revenues | $ 14,788,419,622 | $ 14,873,754,435 |
| **COMPUTATION OF DISTRICT FUND BALANCE CHANGES** | | |
| Beginning District Fund Balance | $ 7,002,966,380 | $ 8,751,906,735 |
| Prior Period District Fund Balance Adjustments (Note 11) | (37,727,671) | (5,749,791) |
| (Qualification)/Disqualification of Enterprises (Note 14) | - | - |
| District Reserve/Fund Balance Increase (Decrease) | 1,358,332,520 | 1,196,691,779 |
| Retention of Revenues in Excess of the Limit C.R.S. 24-77-103.6(1)(a) | 428,335,506 | (82,618,377) |
| Ending District Fund Balance | $ 8,751,906,735 | $ 9,860,230,346 |

| **FISCAL YEAR 2020 COMPUTATION OF SPENDING LIMITATIONS** | **FISCAL YEAR SPENDING** | **EXCESS STATE REVENUES CAP** |
|---|---|---|
| **FY 2019 Adjusted Limit** | $ 11,759,345,200 | $ 14,360,084,116 |
| Allowable TABOR Growth Rate (Note 12) | 4.1% | 4.1% |
| **FY 2020 Unadjusted Limit** | $ 12,241,478,353 | $ 14,948,847,565 |
| Base Adjustment for Accounting Changes - Implementation of GASB 84 (Note 15) | 7,525,247 | 7,525,247 |
| **FY 2020 Adjusted Limit** | 12,249,003,600 | 14,956,372,812 |
| Less Fiscal Year 2020 Nonexempt District Revenues | (14,873,754,435) | (14,873,754,435) |
| **Amount (Over)Under Adjusted Limit FY 2020** | $ (2,624,750,835) | $ 82,618,377 |

| **Amounts remaining in excess of the limit to be refunded in future years (by fiscal year of excess revenue)** | |
|---|---|
| FY 2015 | $ 304,318 |
| FY 2018 | 3,555,477 |
| FY 2019 | 140,133,476 |
| **Total amount to be refunded in future years** | $ 143,993,271 |
| **FY 2020 retention of revenues in excess of the limit (not refundable) C.R.S. 24-77-103.6(1)(b)** | $ (2,624,750,835) |

## NOTES TO THE TABOR SCHEDULE OF REQUIRED COMPUTATIONS

### NOTE 1. PURPOSE OF THE SCHEDULE OF REQUIRED COMPUTATIONS

The purpose of the Schedule of Required Computations is to determine and document compliance with Title 24 Article 77 of the Colorado Revised Statutes, which is the implementing statute for Article X Section 20 of the State Constitution (TABOR). The report is required to include at a minimum State fiscal year spending, reserves, revenues, and debt. The schedule also includes a calculation of the limit on fiscal year spending, a calculation of the excess State revenues cap under Referendum C (see Note 9), and the amount required to be refunded or the amount of excess revenue retained by law, as well as all related adjustments.

TABOR has many provisions including a requirement for a vote of the people for new taxes or tax rate increases and a limit on the amount of fiscal year spending. Fiscal year spending is defined as District expenditures and reserve increases except those expended from exempt sources, such as gifts, federal funds, damage awards, property sales, reserves, and other items. This definition, while focused on spending is essentially a limitation on revenue retention because reserve increases are unspent revenues. Therefore, the terms fiscal year spending and nonexempt revenue are used interchangeably throughout these notes.

The limit on revenue retention is based on an allowable growth percentage (see Note 12) applied to the lesser of the prior year's revenues or the prior year's limit. Revenues in excess of the limit are required to be refunded to taxpayers unless voters approve retention of the excess. In the 2005 general election, voters approved Referendum C, which allowed the State to retain revenues in excess of the limit for a five-year period. Beginning in Fiscal Year 2011, under Referendum C provisions, revenues are refunded only when they exceed the excess State revenues cap (see Note 9).

### NOTE 2. BASIS OF ACCOUNTING

Pursuant to Article 77 of Title 24, Colorado Revised Statutes, this report is prepared in accordance with generally accepted accounting principles (GAAP) for governmental entities except where an irreconcilable difference exists between GAAP, and State statute or the provisions of Article X Section 20 of the State Constitution (TABOR). The accounting principles used by the State are more fully described in Note 1 to the Financial Statements.

### NOTE 3. DEFINITION OF THE DISTRICT

TABOR defines the District as "the State or any local government, excluding enterprises." It further defines an enterprise as "a government-owned business authorized to issue its own revenue bonds and receiving under 10 percent of annual revenue in grants from all Colorado state and local governments combined."

The General Assembly, for the purpose of implementing TABOR, stated in Section 24-77-102(16) C.R.S.:

(a) that "State" means the central civil government of the State of Colorado, which consists of the following:

(I) the legislative, executive, and judicial branches of government established by Article III of the State Constitution;

(II) all organs of the branches of government specified in subparagraph (I) of paragraph (a) of this subsection (16), including the departments of the executive branch; the legislative houses and agencies; and the appellate and trial courts and court personnel; and

(III) State institutions of higher education.

(b) "State" does not include:

(I) any enterprise [including an institution or group of institutions of higher education that has been designated as an enterprise];

(II) any special purpose authority;

(III) any organization declared to be a joint governmental entity.

The General Assembly has designated the following as enterprises excluded from the District:

- State Lottery,
- College Assist,
- CollegeInvest,
- Division of Parks and Wildlife,
- State Nursing Homes,
- Division of Correctional Industries,
- Petroleum Storage Tank Fund,
- State Fair Authority,
- Division of Brand Inspection,
- Clean Screen Authority,
- Capitol Parking Authority,
- Statewide Transportation Enterprise,
- Statewide Bridge Enterprise,
- Unemployment Insurance Enterprise,
- Electronic Recording Technology Fund,
- Colorado Healthcare Affordability and Sustainability Enterprise,
- Front Range Waste Diversion Enterprise,
- Health Insurance Affordability Enterprise.

It further established a statutory mechanism that allows the governing boards of institutions of higher education to designate certain auxiliary operations as enterprises, which are also exempt from TABOR.

Senate Bill 04-189 expanded the authority for each governing board of State institutions of higher education to designate the entire institution as a TABOR exempt enterprise. The Board of Regents of the University of Colorado designated the entire University of Colorado as an enterprise during Fiscal Year 2005, and the remaining boards designated their institutions as enterprises in Fiscal Year 2006. The Auraria Higher Education Center Board of Directors did not designate all of its activities as a TABOR enterprise, but it continues to have selected activities designated as a TABOR enterprise.

Although the General Assembly and governing boards have designated certain enterprises as exempt from TABOR, those enterprises must continue to meet the criteria of a government-owned business authorized to issue its own revenue bonds and to receive less than 10 percent of its revenue in grants from all Colorado state and local governments combined. The State Fair Authority remained disqualified as an enterprise for Fiscal Year 2020.

## NOTE 4. DEBT

Certificates of Participation, which are used by the State for long-term lease purchases, are not considered debt of the State for purposes of this report as provided by Section 24-30-202(5.5) C.R.S.

In interrogatories submitted by the General Assembly regarding House Bill 99-1325, the Colorado Supreme Court ruled that Transportation Revenue Anticipation Notes (TRANS) issued by the Colorado Department of Transportation do not constitute debt of the State as defined in Article XI Section 3 of the State Constitution. However, the Supreme Court ruled that the TRANS are a multiple-fiscal year obligation as defined by Article X Section 20 of the State Constitution, thus requiring an approving election before issuance.

## NOTE 5. EMERGENCY RESERVES

TABOR requires the reservation, for declared emergencies, of three percent or more of fiscal year spending, excluding bonded debt service payments. This requirement for Fiscal Year 2020 totals $446.2 million.

At June 30, 2020, the net assets of the following funds were designated as the reserve, up to the limits set in the Long Appropriations Act (SB 19-207):

- Major Medical Fund – $70.0 million. Only $66.6 million of this fund’s balance was restricted since, at June 30, 2020 its net assets were less than $70.0 million. The assets restricted were net cash of $65.1 million and investments, excluding unrealized gains, of $1.5 million.

- Wildlife Cash Fund – $34.0 million.

- Perpetual base account of the Severance Tax Fund – $33.0 million.

- Colorado Water Conservation Board Construction Fund – $33.0 million.

- Controlled Maintenance Trust Fund – $96.0 million. Only $75.5 million of this fund's net assets were restricted, all of it cash, since at June 30, 2020 its net assets were less than $96.0 million. During the fiscal year, $23.0 million was transferred from the Controlled Maintenance Trust Fund to the Disaster Emergency Fund, under executive order D 2020 032, for response activities related to COVID-19.

- Unclaimed Property Tourism Promotion Trust Fund - $5.0 million.

Senate Bill 19-207 (2019 legislative session Long Appropriations Act) designated up to $178.6 million of State properties as the remainder of the Fiscal Year 2020 emergency reserve.

The estimate of the needed reserve was based on the revenue estimate prepared by Legislative Council in the spring of 2019. Because the revenues subject to the TABOR reserve requirement were more than available in the designated funds as detailed above, the amount restricted for the reserve was $20.5 million less than required by the State Constitution. There is no process by which the General Assembly can adjust the designated reserve after the end of the legislative session when the total TABOR revenues are finally known. In the event of an emergency that exceeds the financial assets in the reserve, the designated Wildlife Cash Fund capital assets would have to be liquidated to meet the constitutional requirement.

## NOTE 6. STATUS OF REFUNDING

There are three TABOR refund mechanisms in current state law – the property tax exemption reimbursement, the temporary income tax rate reduction and the six-tiered sales tax refund. A summary of each is noted below:

1. Property tax exemption reimbursement – with the enactment of Senate Bill 17-267, excess revenue is first refunded via reimbursements to local governments equal to the amount of property tax revenue they lose as a result of the property tax exemptions for seniors and disabled veterans. The amount refunded via this mechanism is the lesser of actual reimbursements or the total refund obligation in accordance with Section 39-3-209(2) C.R.S. If the amount of excess revenue is less than the amount required to reimburse local governments for property tax exemptions for seniors and disabled veterans, then only the portion of the reimbursement equal to the refund obligation is accounted as a TABOR refund. This portion is paid from General Fund revenue set aside in the year when the TABOR surplus was collected. This is considered an under-distribution and is carried forward until the reimbursement is paid. The remaining portion of the reimbursement is financed from revenue collected in the fiscal year when the reimbursement is paid.

2. Temporary income tax rate reduction – under Section 39-22-627 C.R.S., the temporary income tax rate reduction refunds revenue via a temporary reduction in the state income tax rate from 4.63 percent to 4.50 percent for individual and corporate income taxpayers. The income tax rate reduction is triggered if and only if the refund obligation exceeds the amount of the property tax reimbursement mechanism by at least the amount of the reduction in revenue expected to result

from the reduction in the income tax rate. When triggered, the income tax rate is reduced in the tax year following the fiscal year in which excess revenue is collected. If the refund obligation is less than the reduction in revenue expected to result from the reduction in the income tax rate, then the refund in excess of the property tax reimbursement mechanism is refunded via the third mechanism.

3. Six-tier sales tax refund mechanism – under Section 39-22-2001 through 2003 C.R.S., the six-tier sales tax refund refunds any excess amount outstanding after the payment of refunds via the property tax reimbursement mechanism and, if triggered, the temporary income tax rate reduction. Despite being called a sales tax refund, the refund appears on income tax forms as a means of returning sale tax revenue paid by individuals. The mechanism grants taxpayers a refund according to where their adjusted gross income falls among six adjusted gross income tiers. When the amount to be refunded via this mechanism is large enough to support at least $15 per taxpayer, the Department of Revenue is required to distribute the amount among the tiers as it was distributed for the sales tax refund in the tax year 1999. If the amount to be refunded is less than $15 per taxpayer, an equal refund is provided to each taxpayer regardless of income. Because the number of qualifying taxpayers and their adjusted gross incomes are estimates, the use of the second and third refund mechanisms can result in over or under distribution of the required refund throughout the four-year period allowed for amended tax returns.

Regardless of the refund mechanism, Section 24-77-103.8 C.R.S. requires that under-distributions of refunds be carried forward to subsequent years and added to the required refund in a future year when revenue is over the spending limit. Over-distributions of refunds, pursuant to Section 24-77-103.7 C.R.S., are also carried forward to subsequent years and are used to offset any future refund liability. The amount of the over/under carry forward is to be applied in the year following the year in which the refund is required to be made, which results in a two-year lag between the recording of the excess revenue and the adjustment for over or under refunds of those excess revenues.

At the beginning of Fiscal Year 2020, the State had an outstanding TABOR refund liability of $431.7 million. During the fiscal year, $0.1 million was refunded from the Fiscal Year 2015 liability and $288.2 million from the Fiscal Year 2019 liability -- $140.8 million through the property tax reimbursement mechanism and $147.4 million through the income tax rate reduction mechanism. The Fiscal Year 2018 liability was refunded in its entirety in Fiscal Year 2019. During the year, revenue recognition errors of totaling $0.6 million were identified which increased refunds payable.

At June 30, 2020 the amount of refunds payable is $144.0 million. Since the Fiscal Year 2020 total nonexempt district revenues were below the excess State revenues cap, the remaining balance of excess TABOR revenues from prior years will be refunded in future years. (See Note 16 for more detail).

## NOTE 7. OTHER SOURCES AND ADDITIONS

The $1,573.9 million reported in this line item primarily comprises: $470.2 million of pension and other employee benefit trust fund investment earnings and additions by the State and participants; $802.6 million of proceeds from the issuance of certificates of participation; $128.0 million of revenue to permanent funds and trusts; $60.4 million of local government expenditures recorded by the State as revenues and expenditures to meet grant matching-funds requirements; and $94.1 million of other miscellaneous revenue.

## NOTE 8. VOTER APPROVED REVENUE CHANGES

When State voters approve a revenue change, the resulting revenues are exempt from the TABOR limit on fiscal year spending. The following revenue changes were approved by voters:

- In the 1998 general election, voters approved a citizen-initiated law, Section 25-8-501.1 C.R.S. – Regulation of Commercial Hog Facilities – which instituted a permit fee. The State collected $56,881 and $56,282 from this exempt source in Fiscal Year 2020 and Fiscal Year 2019, respectively.

- In the 2000 general election, voters approved a citizen-initiated amendment that added Section 14 to Article XVIII of the State Constitution. This amendment allowed the use of marijuana for medical purposes and authorized the Department of Public Health and Environment to charge a fee for the issuance of a permit for such purpose. The State recorded $2.1 million and $2.2 million including interest and unrealized gains/losses from this revenue source in Fiscal Year 2020 and Fiscal Year 2019, respectively.

- In the 2000 general election, voters approved a citizen-initiated amendment that added Section 17 to Article IX of the State Constitution. This amendment created the State Education Fund and diverted the revenues from a tax of one-third of one percent on taxable income of individuals, corporations, estates, and trusts from the General Fund to the State Education Fund. It also exempted the revenue from TABOR. The amendment was effective January 1, 2001, and resulted in $655.9 million and $702.2 million of tax revenues, interest, operating transfers and unrealized gains/losses, as exclusions from fiscal year spending in Fiscal Year 2020 and Fiscal Year 2019, respectively.

- In the 2004 general election, voters approved a citizen-initiated amendment that added Section 21 to Article X of the State Constitution. The amendment authorized additional cigarette and tobacco taxes (3.2 cents per cigarette and 20 percent of manufacturer's list price for other tobacco products) effective January 1, 2005. The amendment specified the use of the tax revenue generated for specific health related programs, and it exempted the revenue from the TABOR limitations. The State recorded $137.7 million and $135.9 million of tax revenues, interest, transfers, and unrealized gains/losses from this exempt source in Fiscal Year 2020 and Fiscal Year 2019, respectively.

- In the 2005 general election, Colorado voters approved Referendum C – a measure referred to the voters by the Legislature. The referendum allowed the State to retain revenues in excess of the TABOR limit for a period of five years, and it stated that the excess revenue retained qualified as a voter approved revenue change. However, in order to determine the amount retained, the

Schedule of Required Computations includes the retained amount as nonexempt revenue. Therefore, the retained amount is not reported in this note as a voter approved revenue change (see Note 9).

- In the 2008 general election, voters approved an amendment required to implement locally approved changes to the parameters for Limited Gaming under Section 9(7) of Article XVIII of the Colorado Constitution. This amendment allowed the residents of Central City, Black Hawk, and Cripple Creek to vote to extend casino hours, approve additional games and increase the maximum single bet limit. It required distribution of most of the gaming tax revenue that resulted from the new gaming limits to Colorado community colleges and to gaming cities and counties, and it exempted the new revenue from state and local revenue and spending limits. The State collected $13.0 million and $20.2 million of extended limited gaming revenue in Fiscal Year 2020 and Fiscal Year 2019, respectively.

- In the 2013 general election, Colorado voters approved Proposition AA, a measure referred to the voters by the Legislature. The proposition authorized a 15 percent state excise tax on the average wholesale price of retail marijuana, and, in addition to the existing 2.9 percent state sales tax, an additional 10 percent state sales tax on retail marijuana and retail marijuana products, effective January 1, 2014. The amendment specified the use of the excise tax revenue generated for public school construction (for the first $40.0 million collected) with any additional excise revenue generated to be used for marijuana regulation.

  With the enactment of Senate Bill 267 in the 2017 legislative session, the retail marijuana sales tax rate increased from 10 percent to 15 percent and exempted the 2.9 percent sales tax. The State's share of the retail tax increased from 85 percent to 90 percent. These changes took effect on July 1, 2017. The 15 percent excise tax on the wholesale price of retail marijuana still applies.

  The State recorded $88.5 million of state excise tax and $245.5 million of retail marijuana state sales tax revenues from these exempt sources in Fiscal Year 2020. In the prior fiscal year, the State recorded $58.9 million and $192.7 million respectively, from these two sources.

- In the 2019 statewide election, Colorado voters approved Proposition DD – a measure referred to the voters by the Legislature in HB 19-1327. The proposition allowed the State to tax the proceeds of sports betting activity and to use the revenue for implementing the State water plan and for other purposes. The State recorded $0.3 million from this revenue in Fiscal Year 2020.

## NOTE 9. REFERENDUM C

Referendum C was placed on the ballot by the General Assembly and was approved by voters in the November 2005 election. It contained the following provisions:

- The State was 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 constituted a voter approved revenue change.

- After July 1, 2010, the State is allowed to retain revenues in excess of the limit on fiscal year spending up to a newly defined excess State revenues cap (ESRC). The excess State revenues cap is the highest population and inflation-adjusted nonexempt revenue amount in the period from July 1, 2005, to June 30, 2010, also adjusted for qualification and disqualification of enterprises. This provision effectively disabled the ratchet down provision of TABOR during the five-year period. (The term "ratchet down" is used to describe the TABOR provision that requires each year's base for calculating the limit to be the lesser of the prior year's revenues or the prior year's limit.)

- In the 2017 legislative session, enactment of Senate Bill 17-267 lowered the ESRC base by $200 million. This one-time change took effect in Fiscal Year 2018 and permanently modified future year calculations of the amount over or under the ESRC. The revised ESRC in Fiscal Year 2018 set a new base which will continue to increase (or decrease) in future years by the combined percentage change in population and inflation.

- A General Fund Exempt Account was created within the General Fund to consist of the retained revenues for each fiscal year of the retention period. The Legislature appropriates money in the account for health care, education (including related capital projects), firefighter and police pension funding (for local governments), and strategic transportation projects.

- The Director of Research of the Legislative Council is required to report the amount of revenues retained with a description of how the retained revenues were expended.

- The State Controller's annual report demonstrating compliance with the statutes implementing TABOR is required to include the amount of revenues that the State is authorized to retain and expend.

With the end of the Referendum C five-year excess revenue retention period, the State was subject to an ESRC starting in Fiscal Year 2011. Calculation of the original TABOR limit continues to apply, but the ESRC replaces the previous TABOR limit for triggering taxpayer refunds.

Since the inception of Referendum C in Fiscal Year 2006, the State has retained $24,440.8 million -- $3.6 million during the initial five-year revenue retention period, and an additional $20,847.2 million due to the ESRC exceeding the Fiscal Year Spending limit in Fiscal Year 2011 through Fiscal Year 2020.

## NOTE 10. DISTRICT RESERVES

District reserves are the cumulative fund balances of the State reported in the State's Comprehensive Annual Financial Report at the fund level rather than the government-wide level. District reserves therefore exclude capital assets, liabilities that are not recorded in governmental funds at the fund level (primarily long-term liabilities), as well as net assets of the TABOR enterprises. The majority of these funds include balances not available for general appropriation due to legal and contractual restrictions.

## NOTE 11. PRIOR PERIOD DISTRICT FUND BALANCE ADJUSTMENTS AND ACCOUNTING CHANGES

A prior period accounting change made by the Auraria Higher Education Center increased the District's net assets by $2.4 million. The change was required by GASB Statement No. 84, relating to the identification of fiduciary activities for accounting and reporting purposes.

A prior period adjustment made by the Department of Public Health and Environment decreased the District's net assets by $8.2 million in a write-down of various accounts receivable.

## NOTE 12. SOURCES OF TABOR GROWTH LIMIT

The allowable percentage increase in State fiscal year spending equals the sum of inflation and the percentage change in State population in the calendar year ending six months prior to the start of the fiscal year. Inflation is defined in Section C.R.S. 24-77-102(8) C.R.S. as "the percentage change in the consumer price index for the Denver-Boulder Consolidated Metropolitan Statistical Area For All Urban Consumers, All Goods, as published by the U.S. Department of Labor, Bureau of Labor Statistics, or its successor index." The Bureau of Labor Statistics' successor index beginning with the Fiscal Year 2018 Schedule of Computations is the index for the Denver-Aurora-Lakewood area.

The 4.1 percent allowable growth rate comprises a 1.4 percent increase for population growth (census date population for 2018 compared to census date population for 2017) and a 2.7 percent increase for inflation.

## NOTE 13. SPENDING LIMIT ADJUSTMENTS FOR PRIOR YEAR ERRORS

With the addition of the excess State revenues cap, spending limit adjustments only impact the calculation of the Fiscal Year Spending Limit. In Fiscal Year 2020 there were no prior year revenue recognition errors that were large enough to impact the prior year base, therefore there were no adjustments to the Fiscal Year 2019 Fiscal Year Spending Limit.

## NOTE 14. ENTERPRISE QUALIFICATION AND DISQUALIFICATION

The TABOR amendment to the State Constitution specifies that qualification and disqualification of enterprises shall change the District base. In order to ensure comparability between the base and current year nonexempt revenue, when an activity qualifies as an enterprise the base is reduced by the activity's prior year nonexempt revenue offset by revenue that would have been counted as nonexempt due to the activity's interaction with other State agencies. When a TABOR enterprise becomes disqualified, its current year nonexempt revenue is added to the base after application of the population and inflation growth adjustment and its prior year payments to other State agencies are removed from the base (before application of the allowable growth rate).

In Fiscal Year 2020, there were no enterprise-status disqualifications or re-qualifications. Therefore, there were no adjustments necessary to either the fiscal year spending limit or the excess State revenues cap, or in the amount of the District's net assets.

## NOTE 15. BASE ADJUSTMENT FOR ACCOUNTING CHANGES

In Fiscal Year 2020 the Auraria Higher Education Center (AHEC) implemented GASB Statement No. 84 which clarifies the classification of fiduciary activities for accounting and reporting purposes. During the year, AHEC recorded $7.5 million in revenue from student fees as nonexempt District revenue. Prior to GASB Statement No. 84, AHEC recorded such fees, in a fiduciary capacity, as a liability. The recording of revenue in Fiscal Year 2020 constitutes an accounting change.

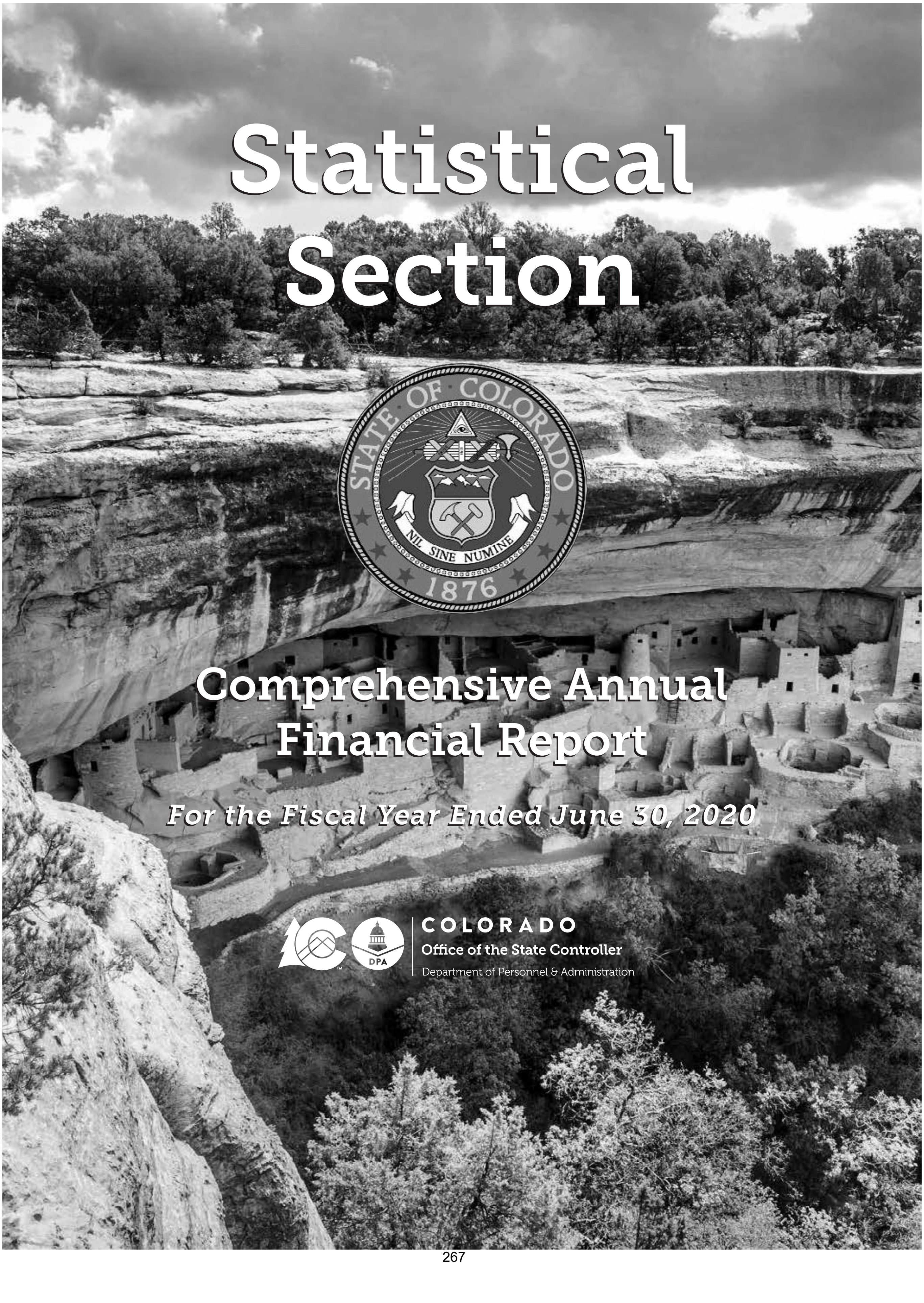
It is the State's policy that changes in accounting principles will have no effect upon the TABOR excess revenue calculation. Because nonexempt revenues increased $7.5 million due to the implementation GASB Statement No. 84, the Fiscal Year Spending Limit and ESRC were each also increased by this amount.

## NOTE 16. TREATMENT OF AMOUNTS HELD FOR FUTURE REFUND

Section 24-77-103.5 C.R.S. requires that errors in the amount to be refunded be corrected in the year they are discovered. In Fiscal Year 2020, two State departments discovered revenue recognition errors from prior years affecting TABOR refunds from Fiscal Years 2018 and 2019. The effect of these errors increased the Fiscal Year 2018 refund payable by $0.6 million and reduced the payable for Fiscal Year 2019 by $30,276. At June 30, 2020 the amounts remaining in excess of the ESRC for Fiscal Years 2018 and 2019 were adjusted in total by $0.6 million to $3.6 million and $140.1 million respectively.

## NOTE 17. FUTURE REFUNDS

Since Fiscal Year 2020 nonexempt District revenues were below the Excess State revenues cap by $82.6 million, only the prior year liabilities totaling $144.0 million discussed in Note 6, will be paid in Fiscal Year 2021 and future years.



# Statistical Section

STATE OF COLORADO
NIL SINE NUMINE
1876

## Comprehensive Annual Financial Report

*For the Fiscal Year Ended June 30, 2020*

COLORADO
Office of the State Controller
Department of Personnel & Administration

# 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 POSITION**
**GOVERNMENTAL ACTIVITIES**
**Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| ASSETS: | | | | | | | | | | |
| Current Assets: | | | | | | | | | | |
| Cash and Pooled Cash | $ 2,521,649 | $ 3,658,234 | $ 3,107,217 | $ 2,567,219 | $ 2,703,416 | $ 2,696,950 | $ 2,302,356 | $ 2,549,620 | $ 1,969,331 | $ 1,548,435 |
| Restricted Cash and Pooled Cash | 611,626 | - | - | - | - | - | - | - | - | - |
| Investments | - | - | - | - | - | - | 8,460 | 3,497 | 1,726 | 45,548 |
| Taxes Receivable, net | 2,746,658 | 1,722,496 | 1,476,297 | 1,325,689 | 1,251,185 | 1,252,907 | 1,224,629 | 1,118,329 | 1,012,147 | 830,730 |
| Other Receivables, net | 609,665 | 708,209 | 654,761 | 717,660 | 572,655 | 450,805 | 210,062 | 189,937 | 156,126 | 147,768 |
| Due From Other Governments | 803,219 | 468,940 | 754,910 | 524,240 | 440,053 | 787,269 | 570,721 | 369,249 | 318,460 | 486,655 |
| Internal Balances | 179,643 | 43,557 | 38,459 | 26,262 | 28,967 | 28,022 | 19,336 | 23,801 | 15,964 | 18,620 |
| Due From Component Units | - | 19 | 18 | 154 | 347 | 135 | 54 | 119 | 137 | 62 |
| Inventories | 142,367 | 101,161 | 52,102 | 54,152 | 53,261 | 54,194 | 53,125 | 55,319 | 17,057 | 19,837 |
| Prepaids, Advances and Deposits | 544,537 | 90,371 | 84,277 | 72,047 | 67,468 | 67,917 | 73,025 | 57,465 | 53,961 | 56,543 |
| Total Current Assets | 8,159,364 | 6,792,987 | 6,168,041 | 5,287,423 | 5,117,352 | 5,338,199 | 4,461,768 | 4,367,336 | 3,544,909 | 3,154,198 |
| Noncurrent Assets: | | | | | | | | | | |
| Restricted Assets: | | | | | | | | | | |
| Restricted Cash and Pooled Cash | 1,810,813 | 1,742,791 | 1,589,926 | 1,493,996 | 1,923,920 | 2,140,729 | 2,554,938 | 1,798,432 | 1,779,413 | 1,635,476 |
| Restricted Investments | 1,212,311 | 1,098,543 | 847,587 | 867,572 | 732,662 | 761,140 | 657,772 | 598,209 | 591,083 | 1,097,797 |
| Restricted Receivables | 453,551 | 445,384 | 633,173 | 587,580 | 510,028 | 363,300 | 258,107 | 176,055 | 181,932 | 173,347 |
| Investments | 1,564,800 | 1,177,035 | 449,308 | 255,069 | 219,369 | 280,100 | 428,321 | 464,535 | 416,674 | 52,343 |
| Other Long-Term Assets | 771,885 | 758,544 | 613,249 | 614,932 | 675,809 | 636,260 | 686,349 | 740,735 | 712,736 | 761,498 |
| Depreciable Capital Assets and Infrastructure, net | 9,856,574 | 10,101,317 | 10,242,384 | 9,994,890 | 9,976,023 | 9,772,651 | 9,600,423 | 9,312,959 | 9,602,516 | 9,331,295 |
| Land and Nondepreciable Capital Assets | 2,739,690 | 2,121,606 | 1,914,285 | 2,041,812 | 1,851,910 | 1,968,227 | 1,931,832 | 2,170,769 | 1,903,604 | 1,780,945 |
| Capital Assets Held as Investments | - | - | 42,896 | 42,899 | 33,055 | - | - | - | - | - |
| Total Noncurrent Assets | 18,409,624 | 17,445,220 | 16,332,808 | 15,898,750 | 15,922,776 | 15,922,407 | 16,117,742 | 15,261,694 | 15,187,958 | 14,832,701 |
| TOTAL ASSETS | 26,568,988 | 24,238,207 | 22,500,849 | 21,186,173 | 21,040,128 | 21,260,606 | 20,579,510 | 19,629,030 | 18,732,867 | 17,986,899 |
| DEFERRED OUTFLOW OF RESOURCES: | 2,348,666 | 4,421,051 | 2,563,034 | 3,503,643 | 818,761 | 350,796 | 18,289 | - | - | - |
| LIABILITIES: | | | | | | | | | | |
| Current Liabilities: | | | | | | | | | | |
| Tax Refunds Payable | 951,302 | 927,857 | 918,688 | 886,992 | 856,076 | 669,992 | 718,211 | 718,077 | 661,829 | 625,145 |
| Accounts Payable and Accrued Liabilities | 1,428,804 | 1,318,548 | 1,369,262 | 1,165,137 | 1,166,681 | 1,367,263 | 1,043,961 | 742,225 | 677,471 | 785,496 |
| TABOR Refund Liability (Note 2B) | 143,993 | 431,685 | 39,837 | 21,807 | 31,358 | 173,346 | 706 | 706 | 706 | 706 |
| Due To Other Governments | 375,757 | 283,432 | 306,883 | 395,627 | 232,724 | 233,087 | 245,300 | 198,953 | 228,229 | 216,956 |
| Due To Component Units | - | - | - | - | - | - | 15 | 81 | - | - |
| Unearned Revenue | 1,291,503 | 150,512 | 185,677 | 126,307 | 123,769 | 100,467 | 92,674 | 95,026 | 125,174 | 111,506 |
| Accrued Compensated Absences | 15,719 | 14,097 | 12,758 | 11,865 | 11,522 | 12,185 | 10,470 | 10,955 | 9,859 | 9,741 |
| Claims and Judgments Payable | 46,660 | 42,298 | 42,812 | 46,369 | 46,343 | 47,682 | 61,623 | 46,873 | 44,858 | 44,641 |
| Leases Payable | 27,212 | 26,162 | 25,789 | 28,254 | 28,261 | 27,760 | 26,941 | 20,004 | 14,387 | 12,872 |
| Notes, Bonds, and COPs Payable | 70,565 | 50,865 | 55,515 | 46,990 | 171,835 | 200,975 | 187,910 | 174,340 | 162,670 | 145,165 |
| Other Current Liabilities | 23,647 | 31,020 | 22,837 | 27,678 | 29,525 | 19,052 | 19,979 | 14,834 | 16,531 | 13,748 |
| Total Current Liabilities | 4,375,162 | 3,276,476 | 2,980,058 | 2,757,026 | 2,698,094 | 2,851,809 | 2,407,790 | 2,022,074 | 1,941,714 | 1,965,976 |
| Noncurrent Liabilities: | | | | | | | | | | |
| Deposits Held In Custody For Others | 598 | 584 | 136 | 116 | 90 | 139 | 139 | 17 | 16 | 14 |
| Accrued Compensated Absences | 197,457 | 166,680 | 162,645 | 158,435 | 154,510 | 149,817 | 145,992 | 138,413 | 132,394 | 137,139 |
| Claims and Judgments Payable | 151,757 | 168,190 | 180,865 | 260,535 | 276,010 | 299,785 | 301,591 | 323,451 | 330,516 | 340,003 |
| Capital Lease Payable | 92,610 | 97,438 | 106,084 | 113,899 | 122,404 | 144,569 | 148,055 | 131,006 | 107,042 | 94,716 |
| Notes, Bonds, and COPs Payable | 2,837,608 | 2,108,495 | 1,379,778 | 1,266,507 | 1,174,467 | 1,331,892 | 1,541,225 | 1,611,220 | 1,614,293 | 1,621,749 |
| Net Pension Liability | 7,804,791 | 9,377,357 | 11,933,852 | 10,919,603 | 6,295,004 | 5,565,526 | - | - | - | - |
| Other Postemployment Benefits | 233,180 | 284,264 | 272,038 | - | - | - | - | - | - | - |
| Other Long-Term Liabilities | 229,134 | 267,983 | 457,567 | 407,912 | 415,669 | 423,809 | 402,954 | 444,118 | 427,828 | 434,194 |
| Total Noncurrent Liabilities | 11,547,135 | 12,470,991 | 14,492,965 | 13,127,007 | 8,438,154 | 7,915,537 | 2,539,956 | 2,648,225 | 2,612,089 | 2,627,815 |
| TOTAL LIABILITIES | 15,922,297 | 15,747,467 | 17,473,023 | 15,884,033 | 11,136,248 | 10,767,346 | 4,947,746 | 4,670,299 | 4,553,803 | 4,593,791 |
| DEFERRED INFLOW OF RESOURCES: | 3,704,384 | 4,997,905 | 560,903 | 98,746 | 133,375 | 47,262 | 338 | - | - | - |
| Net investment in Capital Assets: | 9,648,006 | 10,327,956 | 10,879,491 | 14,071,021 | 11,330,474 | 10,654,690 | 10,125,644 | 10,107,082 | 10,107,432 | 9,836,378 |
| Restricted for: | | | | | | | | | | |
| Construction and Highway Maintenance | 874,840 | 954,461 | 885,775 | 915,033 | 966,743 | 936,535 | 1,080,201 | 1,145,997 | 1,176,269 | 1,160,789 |
| Education | 194,060 | 203,648 | 295,468 | 107,012 | 309,957 | 766,688 | 1,110,180 | 1,265,476 | 280,269 | 485,171 |
| Debt Service | 115,664 | 104,011 | 91,950 | 79,966 | 68,105 | 56,534 | 44,752 | 33,113 | 21,453 | 10,127 |
| Emergencies | 208,095 | 191,245 | 201,166 | 194,369 | 217,328 | 217,328 | 153,150 | 161,350 | 72,850 | 85,400 |
| Permanent Funds and Endowments: | | | | | | | | | | |
| Expendable | 8,936 | 10,651 | 8,267 | 7,643 | 5,801 | 7,301 | 7,271 | 6,328 | 6,024 | 8,017 |
| Nonexpendable | 1,419,630 | 1,291,071 | 1,087,000 | 1,020,225 | 950,976 | 896,872 | 800,132 | 694,564 | 684,953 | 641,802 |
| Other Purposes | 1,079,316 | 1,042,422 | 831,995 | 671,306 | 717,185 | 626,649 | 358,694 | 349,811 | 340,818 | 315,082 |
| Unrestricted | (4,257,574) | (6,211,579) | (7,251,155) | (8,359,538) | (3,977,303) | (3,365,803) | 1,969,691 | 1,195,010 | 1,488,996 | 850,342 |
| TOTAL NET POSITION | $ 9,290,973 | $ 7,913,886 | $ 7,029,957 | $ 8,707,037 | $ 10,589,266 | $ 10,796,794 | $ 15,649,715 | $ 14,958,731 | $ 14,179,064 | $ 13,393,108 |

**GOVERNMENT-WIDE**
**SCHEDULE OF NET POSITION**
**BUSINESS-TYPE ACTIVITIES**
**Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| ASSETS: | | | | | | | | | | |
| Current Assets: | | | | | | | | | | |
| Cash and Pooled Cash | $ 2,023,015 | $ 1,841,335 | $ 3,093,539 | $ 2,846,015 | $ 2,525,453 | $ 2,454,684 | $ 2,246,115 | $ 2,169,314 | $ 2,011,437 | $ 1,306,800 |
| Restricted Cash and Pooled Cash | 391,766 | - | - | - | - | - | - | - | - | - |
| Investments | 1,926,752 | 344,755 | 1,827,559 | 549,079 | 392,188 | 378,115 | 254,744 | 281,822 | 160,099 | 273,605 |
| Restricted Investments | 123,303 | - | - | - | - | - | - | - | - | - |
| Taxes Receivable, net | 87,301 | 115,535 | 111,099 | 125,258 | 123,638 | 142,241 | 135,207 | 137,970 | 159,303 | 186,161 |
| Other Receivables, net | 783,784 | 770,415 | 601,666 | 490,427 | 640,664 | 430,306 | 408,364 | 381,351 | 330,216 | 302,042 |
| Due From Other Governments | 970,990 | 172,251 | 145,051 | 136,231 | 94,860 | 134,455 | 150,697 | 155,190 | 218,667 | 177,822 |
| Internal Balances | (179,643) | (43,557) | (38,459) | (26,262) | (28,967) | (28,022) | (19,336) | (23,801) | (15,964) | (18,620) |
| Due From Component Units | 26,385 | 28,175 | 16,174 | 23,041 | 18,188 | 11,370 | 23,716 | 18,969 | 18,715 | 19,736 |
| Inventories | 57,124 | 58,481 | 54,944 | 59,196 | 54,748 | 57,950 | 54,015 | 52,826 | 53,318 | 43,600 |
| Prepaids, Advances and Deposits | 37,686 | 41,567 | 29,020 | 31,679 | 28,756 | 28,186 | 37,433 | 24,806 | 24,160 | 18,018 |
| Total Current Assets | 6,248,463 | 3,328,957 | 5,840,593 | 4,234,664 | 3,849,528 | 3,609,285 | 3,290,955 | 3,198,447 | 2,959,951 | 2,309,164 |
| Noncurrent Assets: | | | | | | | | | | |
| Restricted Assets: | | | | | | | | | | |
| Restricted Cash and Pooled Cash | 511,559 | 1,562,065 | 284,025 | 241,268 | 457,926 | 499,742 | 429,965 | 352,234 | 372,457 | 409,652 |
| Restricted Investments | 172,683 | 72,895 | 106,798 | 95,280 | 167,540 | 246,783 | 303,678 | 292,283 | 293,711 | 98,146 |
| Restricted Receivables | 22,651 | 39,570 | 35,362 | 38,605 | 40,009 | 31,609 | 45,477 | 45,264 | 80,975 | 24,980 |
| Investments | 1,441,901 | 2,900,742 | 995,987 | 2,097,484 | 1,941,040 | 1,969,155 | 1,896,811 | 1,746,078 | 1,769,909 | 1,623,569 |
| Other Long-Term Assets | 123,685 | 109,831 | 130,529 | 129,350 | 129,425 | 129,850 | 99,380 | 128,105 | 114,118 | 122,939 |
| Depreciable Capital Assets and Infrastructure, net | 8,471,869 | 8,341,557 | 8,028,339 | 7,502,858 | 7,050,226 | 6,190,355 | 5,876,698 | 5,463,065 | 5,250,256 | 4,662,346 |
| Land and Nondepreciable Capital Assets | 2,349,747 | 1,952,976 | 1,843,135 | 1,921,788 | 1,652,441 | 1,788,595 | 1,370,142 | 1,229,761 | 1,019,556 | 938,544 |
| Total Noncurrent Assets | 13,094,095 | 14,979,636 | 11,424,175 | 12,026,633 | 11,438,607 | 10,856,089 | 10,022,151 | 9,256,790 | 8,900,982 | 7,880,176 |
| TOTAL ASSETS | 19,342,558 | 18,308,593 | 17,264,768 | 16,261,297 | 15,288,135 | 14,465,374 | 13,313,106 | 12,455,237 | 11,860,933 | 10,189,340 |
| DEFERRED OUTFLOW OF RESOURCES: | 534,121 | 931,725 | 1,750,279 | 2,332,443 | 649,853 | 348,635 | 118,103 | 551 | 5,005 | - |
| LIABILITIES: | | | | | | | | | | |
| Current Liabilities: | | | | | | | | | | |
| Accounts Payable and Accrued Liabilities | 705,641 | 697,916 | 592,545 | 786,944 | 771,248 | 751,169 | 659,085 | 602,571 | 623,458 | 556,294 |
| Due To Other Governments | 375,140 | 73,297 | 64,474 | 46,765 | 38,615 | 22,048 | 30,805 | 34,169 | 53,622 | 331,246 |
| Due To Component Units | 151 | 206 | 44 | 1,249 | 645 | 623 | 528 | 343 | 123 | 524 |
| Unearned Revenue | 770,398 | 351,010 | 345,734 | 328,261 | 306,222 | 407,108 | 346,264 | 305,108 | 237,530 | 234,662 |
| Accrued Compensated Absences | 28,747 | 27,340 | 26,203 | 25,381 | 22,761 | 20,960 | 18,117 | 16,609 | 14,942 | 14,579 |
| Claims and Judgments Payable | 1,273 | 1,581 | - | - | - | - | - | - | - | - |
| Leases Payable | 5,832 | 5,474 | 6,529 | 7,292 | 9,132 | 8,618 | 6,610 | 6,575 | 5,853 | 4,950 |
| Notes, Bonds, and COPs Payable | 179,765 | 196,235 | 154,053 | 146,604 | 267,134 | 251,947 | 244,366 | 233,811 | 243,601 | 79,106 |
| Other Postemployment Benefits | 16,448 | - | - | - | - | - | 14,076 | 17,052 | 15,721 | - |
| Other Current Liabilities | 813,537 | 323,850 | 191,660 | 134,584 | 139,765 | 125,054 | 127,033 | 142,868 | 110,667 | 141,484 |
| Total Current Liabilities | 2,896,932 | 1,676,909 | 1,381,242 | 1,477,080 | 1,555,522 | 1,587,527 | 1,446,884 | 1,359,106 | 1,305,517 | 1,362,845 |
| Noncurrent Liabilities: | | | | | | | | | | |
| Deposits Held In Custody For Others | 25 | 25 | 20 | 20 | 20 | - | - | - | - | - |
| Accrued Compensated Absences | 397,622 | 350,352 | 339,007 | 317,070 | 293,365 | 268,600 | 250,148 | 236,329 | 219,026 | 205,621 |
| Claims and Judgments Payable | 45,168 | 42,390 | 35,505 | 37,361 | 39,657 | 41,460 | 40,982 | 38,993 | 36,472 | 35,373 |
| Capital Lease Payable | 29,813 | 31,928 | 41,623 | 42,599 | 47,994 | 45,663 | 35,582 | 35,153 | 33,185 | 43,466 |
| Derivative Instrument Liability | 46,864 | 14,193 | 6,837 | 9,251 | 13,222 | 9,515 | 8,566 | 8,333 | 12,994 | 6,182 |
| Notes, Bonds, and COPs Payable | 4,917,042 | 4,757,334 | 4,970,288 | 4,638,363 | 4,480,091 | 4,418,327 | 4,131,227 | 3,898,265 | 3,938,320 | 3,117,100 |
| Due to Component Units | 1,704 | 1,798 | 1,692 | 1,678 | 1,631 | 1,661 | 1,743 | 1,755 | 1,758 | 2,374 |
| Net Pension Liability | 3,570,647 | 4,237,019 | 7,448,575 | 6,934,505 | 3,957,073 | 3,579,748 | - | - | - | - |
| Other Postemployment Benefits | 835,859 | 1,015,792 | 938,450 | 343,570 | 289,133 | 241,779 | 181,511 | 177,176 | 139,653 | 105,876 |
| Other Long-Term Liabilities | 102,896 | 110,482 | 59,956 | 15,863 | 28,569 | 83,521 | 44,768 | 11,972 | 39,015 | 43,814 |
| Total Noncurrent Liabilities | 9,947,640 | 10,561,313 | 13,841,953 | 12,340,280 | 9,150,755 | 8,690,274 | 4,694,527 | 4,407,976 | 4,420,423 | 3,559,806 |
| TOTAL LIABILITIES | 12,844,572 | 12,238,222 | 15,223,195 | 13,817,360 | 10,706,277 | 10,277,801 | 6,141,411 | 5,767,082 | 5,725,940 | 4,922,651 |
| DEFERRED INFLOW OF RESOURCES: | 1,918,407 | 2,482,076 | 620,945 | 206,047 | 250,058 | 38,380 | - | - | - | 2,006 |
| Net investment in Capital Assets: | 5,923,907 | 5,618,074 | 5,108,898 | 6,982,288 | 5,051,345 | 4,417,947 | 3,653,265 | 3,571,408 | 3,386,411 | 2,990,094 |
| Restricted for: | | | | | | | | | | |
| Education | 978,486 | 870,941 | 470,363 | 504,096 | 462,636 | 439,535 | 642,611 | - | - | - |
| Unemployment Insurance | (18,877) | 1,258,552 | 1,070,082 | 911,183 | 740,049 | 620,575 | 402,770 | 218,076 | 64,433 | - |
| Debt Service | 16,081 | 80,693 | 219,248 | 28,429 | 85,617 | 75,666 | 39,862 | 8,439 | 7,464 | 6,753 |
| Emergencies | 34,000 | 34,000 | 34,000 | 34,000 | 34,000 | 34,000 | 34,000 | 34,000 | 10,005 | 12,368 |
| Permanent Funds and Endowments: | | | | | | | | | | |
| Expendable | 173,493 | 173,553 | 173,406 | 165,637 | 157,611 | 150,270 | 7,901 | 11,716 | 6,975 | 5,936 |
| Nonexpendable | 83,909 | 83,198 | 84,480 | 91,878 | 83,274 | 87,679 | 64,712 | 61,159 | 38,798 | 73,956 |
| Other Purposes | 34,528 | 118,895 | 65,961 | 65,961 | 101,209 | 88,686 | 56,296 | 631,921 | 629,655 | 657,292 |
| Unrestricted | (2,111,827) | (3,717,886) | (4,055,531) | (4,213,139) | (1,734,088) | (1,416,530) | 2,388,381 | 2,151,987 | 1,996,257 | 1,518,284 |
| TOTAL NET POSITION | $ 5,113,700 | $ 4,520,020 | $ 3,170,907 | $ 4,570,333 | $ 4,981,653 | $ 4,497,828 | $ 7,289,798 | $ 6,688,706 | $ 6,139,998 | $ 5,264,683 |

**GOVERNMENT-WIDE**
**SCHEDULE OF NET POSITION**
**TOTAL PRIMARY GOVERNMENT**
**Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| ASSETS: | | | | | | | | | | |
| Current Assets: | | | | | | | | | | |
| Cash and Pooled Cash | $ 4,544,664 | $ 5,499,569 | $ 6,200,756 | $ 5,413,234 | $ 5,228,869 | $ 5,151,634 | $ 4,548,471 | $ 4,718,934 | $ 3,980,768 | $ 2,855,235 |
| Restricted Cash and Pooled Cash | 1,003,392 | - | - | - | - | - | - | - | - | - |
| Investments | 1,926,752 | 344,755 | 1,827,559 | 549,079 | 392,188 | 378,115 | 263,204 | 285,319 | 161,825 | 319,153 |
| Restricted Investments | 123,303 | - | - | - | - | - | - | - | - | - |
| Taxes Receivable, net | 2,833,959 | 1,838,031 | 1,587,396 | 1,450,947 | 1,374,823 | 1,395,148 | 1,359,836 | 1,256,299 | 1,171,450 | 1,016,891 |
| Other Receivables, net | 1,393,449 | 1,478,624 | 1,256,427 | 1,208,087 | 1,213,319 | 881,111 | 618,426 | 571,288 | 486,342 | 449,810 |
| Due From Other Governments | 1,774,209 | 641,191 | 899,961 | 660,471 | 534,913 | 921,724 | 721,418 | 524,439 | 537,127 | 664,477 |
| Due From Component Units | 26,385 | 28,194 | 16,192 | 23,195 | 18,535 | 11,505 | 23,770 | 19,088 | 18,852 | 19,798 |
| Inventories | 199,491 | 159,642 | 107,046 | 113,348 | 108,009 | 112,144 | 107,140 | 108,145 | 70,375 | 63,437 |
| Prepaids, Advances and Deposits | 582,223 | 131,938 | 113,297 | 103,726 | 96,224 | 96,103 | 110,458 | 82,271 | 78,121 | 74,561 |
| Total Current Assets | 14,407,827 | 10,121,944 | 12,008,634 | 9,522,087 | 8,966,880 | 8,947,484 | 7,752,723 | 7,565,783 | 6,504,860 | 5,463,362 |
| Noncurrent Assets: | | | | | | | | | | |
| Restricted Assets: | | | | | | | | | | |
| Restricted Cash and Pooled Cash | 2,322,372 | 3,304,856 | 1,873,951 | 1,735,264 | 2,381,846 | 2,640,471 | 2,984,903 | 2,150,666 | 2,151,870 | 2,045,128 |
| Restricted Investments | 1,384,994 | 1,171,438 | 954,385 | 962,852 | 900,202 | 1,007,923 | 961,450 | 890,492 | 884,794 | 1,195,943 |
| Restricted Receivables | 476,202 | 484,954 | 668,535 | 626,185 | 550,037 | 394,909 | 303,584 | 221,319 | 262,907 | 198,327 |
| Investments | 3,006,701 | 4,077,777 | 1,445,295 | 2,352,553 | 2,160,409 | 2,249,255 | 2,325,132 | 2,210,613 | 2,186,583 | 1,675,912 |
| Other Long-Term Assets | 895,570 | 868,375 | 743,778 | 744,282 | 805,234 | 766,110 | 785,729 | 868,840 | 826,854 | 884,437 |
| Depreciable Capital Assets and Infrastructure, net | 18,328,443 | 18,442,874 | 18,270,723 | 17,497,748 | 17,026,249 | 15,963,006 | 15,477,121 | 14,776,024 | 14,852,772 | 13,993,641 |
| Land and Nondepreciable Capital Assets | 5,089,437 | 4,074,582 | 3,757,420 | 3,963,600 | 3,504,351 | 3,756,822 | 3,301,974 | 3,400,530 | 2,923,160 | 2,719,489 |
| Capital Assets Held as Investments | - | - | 42,896 | 42,899 | 33,055 | - | - | - | - | - |
| Total Noncurrent Assets | 31,503,719 | 32,424,856 | 27,756,983 | 27,925,383 | 27,361,383 | 26,778,496 | 26,139,893 | 24,518,484 | 24,088,940 | 22,712,877 |
| TOTAL ASSETS | 45,911,546 | 42,546,800 | 39,765,617 | 37,447,470 | 36,328,263 | 35,725,980 | 33,892,616 | 32,084,267 | 30,593,800 | 28,176,239 |
| DEFERRED OUTFLOW OF RESOURCES: | 2,882,787 | 5,352,776 | 4,313,313 | 5,836,086 | 1,468,614 | 699,431 | 136,392 | 551 | 5,005 | - |
| LIABILITIES: | | | | | | | | | | |
| Current Liabilities: | | | | | | | | | | |
| Tax Refunds Payable | 951,302 | 927,857 | 918,688 | 886,992 | 856,076 | 669,992 | 718,211 | 718,077 | 661,829 | 625,145 |
| Accounts Payable and Accrued Liabilities | 2,134,445 | 2,016,464 | 1,961,807 | 1,952,081 | 1,937,929 | 2,118,432 | 1,703,046 | 1,344,796 | 1,300,929 | 1,341,790 |
| TABOR Refund Liability (Note 2B) | 143,993 | 431,685 | 39,837 | 21,807 | 31,358 | 173,346 | 706 | 706 | 706 | 706 |
| Due To Other Governments | 750,897 | 356,729 | 371,357 | 442,392 | 271,339 | 255,135 | 276,105 | 233,122 | 281,851 | 548,202 |
| Due To Component Units | 151 | 206 | 44 | 1,249 | 645 | 623 | 543 | 424 | 123 | 524 |
| Unearned Revenue | 2,061,901 | 501,522 | 531,411 | 454,568 | 429,991 | 507,575 | 438,938 | 400,134 | 362,704 | 346,168 |
| Accrued Compensated Absences | 44,466 | 41,437 | 38,961 | 37,246 | 34,283 | 33,145 | 28,587 | 27,564 | 24,801 | 24,320 |
| Claims and Judgments Payable | 47,933 | 43,879 | 42,812 | 46,369 | 46,343 | 47,682 | 61,623 | 46,873 | 44,858 | 44,641 |
| Leases Payable | 33,044 | 31,636 | 32,318 | 35,546 | 37,393 | 36,378 | 33,551 | 26,579 | 20,240 | 17,822 |
| Notes, Bonds, and COPs Payable | 250,330 | 247,100 | 209,568 | 193,594 | 438,969 | 452,922 | 432,276 | 408,151 | 406,271 | 224,271 |
| Other Postemployment Benefits | 16,448 | - | - | - | - | - | 14,076 | 17,052 | 15,721 | - |
| Other Current Liabilities | 837,184 | 354,870 | 214,497 | 162,262 | 169,290 | 144,106 | 147,012 | 157,702 | 127,198 | 155,232 |
| Total Current Liabilities | 7,272,094 | 4,953,385 | 4,361,300 | 4,234,106 | 4,253,616 | 4,439,336 | 3,854,674 | 3,381,180 | 3,247,231 | 3,328,821 |
| Noncurrent Liabilities: | | | | | | | | | | |
| Due to Other Funds | - | - | | | | | | | | |
| Deposits Held In Custody For Others | 623 | 609 | 156 | 136 | 110 | 139 | 139 | 17 | 16 | 14 |
| Accrued Compensated Absences | 595,079 | 517,032 | 501,652 | 475,505 | 447,875 | 418,417 | 396,140 | 374,742 | 351,420 | 342,760 |
| Claims and Judgments Payable | 196,925 | 210,580 | 216,370 | 297,896 | 315,667 | 341,245 | 342,573 | 362,444 | 366,988 | 375,376 |
| Capital Lease Payable | 122,423 | 129,366 | 147,707 | 156,498 | 170,398 | 190,232 | 183,637 | 166,159 | 140,227 | 138,182 |
| Derivative Instrument Liability | 46,864 | 14,193 | 6,837 | 9,251 | 13,222 | 9,515 | 8,566 | 8,333 | 12,994 | 6,182 |
| Notes, Bonds, and COPs Payable | 7,754,650 | 6,865,829 | 6,350,066 | 5,904,870 | 5,654,558 | 5,750,219 | 5,672,452 | 5,509,485 | 5,552,613 | 4,738,849 |
| Due to Component Units | 1,704 | 1,798 | 1,692 | 1,678 | 1,631 | 1,661 | 1,743 | 1,755 | 1,758 | 2,374 |
| Net Pension Liability | 11,375,438 | 13,614,376 | 19,382,427 | 17,854,108 | 10,252,077 | 9,145,274 | - | - | - | - |
| Other Postemployment Benefits | 1,069,039 | 1,300,056 | 1,210,488 | 343,570 | 289,133 | 241,779 | 181,511 | 177,176 | 139,653 | 105,876 |
| Other Long-Term Liabilities | 332,030 | 378,465 | 517,523 | 423,775 | 444,238 | 507,330 | 447,722 | 456,090 | 466,843 | 478,008 |
| Total Noncurrent Liabilities | 21,494,775 | 23,032,304 | 28,334,918 | 25,467,287 | 17,588,909 | 16,605,811 | 7,234,483 | 7,056,201 | 7,032,512 | 6,187,621 |
| TOTAL LIABILITIES | 28,766,869 | 27,985,689 | 32,696,218 | 29,701,393 | 21,842,525 | 21,045,147 | 11,089,157 | 10,437,381 | 10,279,743 | 9,516,442 |
| DEFERRED INFLOW OF RESOURCES: | 5,622,791 | 7,479,981 | 1,181,848 | 304,793 | 383,433 | 85,642 | 338 | - | - | 2,006 |
| Net investment in Capital Assets: | 15,571,913 | 15,946,030 | 15,988,389 | 21,053,309 | 16,381,819 | 15,072,637 | 13,778,909 | 13,678,490 | 13,493,843 | 12,826,472 |
| Restricted for: | | | | | | | | | | |
| Construction and Highway Maintenance | 874,840 | 954,461 | 885,775 | 915,033 | 966,743 | 936,535 | 1,080,201 | 1,145,997 | 1,176,269 | 1,160,789 |
| Education | 1,172,546 | 1,074,589 | 765,831 | 611,108 | 772,593 | 1,206,223 | 1,752,791 | 1,265,476 | 280,269 | 485,171 |
| Unemployment Insurance | (18,877) | 1,258,552 | 1,070,082 | 911,183 | 740,049 | 620,575 | 402,770 | 218,076 | 64,433 | - |
| Debt Service | 131,745 | 184,704 | 311,198 | 108,395 | 153,722 | 132,200 | 84,614 | 41,552 | 28,917 | 16,880 |
| Emergencies | 242,095 | 225,245 | 235,166 | 228,369 | 251,328 | 251,328 | 187,150 | 195,350 | 82,855 | 97,768 |
| Permanent Funds and Endowments: | | | | | | | | | | |
| Expendable | 182,429 | 184,204 | 181,673 | 173,280 | 163,412 | 157,571 | 15,172 | 18,044 | 12,999 | 13,953 |
| Nonexpendable | 1,503,539 | 1,374,269 | 1,171,480 | 1,112,103 | 1,034,250 | 984,551 | 864,844 | 755,723 | 723,751 | 715,758 |
| Other Purposes | 1,113,844 | 1,161,317 | 897,956 | 737,267 | 818,394 | 715,335 | 414,990 | 981,732 | 970,473 | 972,374 |
| Unrestricted | (6,369,401) | (9,929,465) | (11,306,686) | (12,572,677) | (5,711,391) | (4,782,333) | 4,358,072 | 3,346,997 | 3,485,253 | 2,368,626 |
| TOTAL NET POSITION | $ 14,404,673 | $ 12,433,906 | $ 10,200,864 | $ 13,277,370 | $ 15,570,919 | $ 15,294,622 | $ 22,939,513 | $ 21,647,437 | $ 20,319,062 | $ 18,657,791 |

**GOVERNMENT-WIDE**
**SCHEDULE OF CHANGES IN NET POSITION**
**GOVERNMENTAL ACTIVITIES**
**Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

| Functions/Programs | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| PROGRAM REVENUES: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| Licenses and Permits | $ 559,579 | $ 559,093 | $ 564,076 | $ 541,936 | $ 518,820 | $ 501,319 | $ 472,215 | $ 447,232 | $ 442,793 | $ 454,633 |
| Service Fees | 406,363 | 390,589 | 358,109 | 1,006,976 | 1,139,226 | 879,139 | 901,839 | 965,614 | 901,950 | 735,820 |
| Fines and Forfeits | 190,399 | 225,878 | 190,733 | 206,662 | 195,256 | 201,021 | 181,098 | 248,520 | 187,344 | 200,432 |
| Rents and Royalties | 156,296 | 175,085 | 147,310 | 132,310 | 142,752 | 199,067 | 182,893 | 133,901 | 147,946 | 128,588 |
| Sales of Products | 16,763 | 10,042 | 3,218 | 3,205 | 3,303 | 3,390 | 2,141 | 2,851 | 1,626 | 4,974 |
| Unemployment Surcharge | 38,076 | 34,091 | 34,245 | 32,507 | 30,768 | 29,381 | 28,635 | 25,724 | 19,307 | 18,611 |
| Other | 187,856 | 211,706 | 152,285 | 138,928 | 143,251 | 131,151 | 144,949 | 127,083 | 84,828 | 89,509 |
| Operating Grants and Contributions | 7,788,096 | 6,822,479 | 6,627,757 | 8,149,334 | 8,578,146 | 7,726,668 | 6,782,914 | 5,860,052 | 5,884,031 | 6,218,836 |
| Capital Grants and Contributions | 617,224 | 428,332 | 745,497 | 814,739 | 819,321 | 817,469 | 728,544 | 700,548 | 600,300 | 659,288 |
| TOTAL PROGRAM REVENUES | 9,960,652 | 8,857,295 | 8,823,230 | 11,026,597 | 11,570,843 | 10,488,605 | 9,425,228 | 8,511,525 | 8,270,125 | 8,510,691 |
| EXPENSES: | | | | | | | | | | |
| General Government | 1,214,677 | 1,493,871 | 739,872 | 653,247 | 485,611 | 449,261 | 447,359 | 555,507 | 224,382 | 192,579 |
| Business, Community, and Consumer Affairs | 713,827 | 734,786 | 912,495 | 919,676 | 777,458 | 711,558 | 641,182 | 584,300 | 600,068 | 667,929 |
| Education | 6,875,955 | 6,469,072 | 6,086,573 | 6,045,204 | 5,859,964 | 5,687,573 | 5,472,563 | 5,187,481 | 5,205,123 | 5,432,143 |
| Health and Rehabilitation | 836,872 | 935,044 | 1,258,445 | 1,170,889 | 2,898,841 | 822,556 | 720,997 | 697,795 | 703,684 | 696,539 |
| Justice | 1,734,902 | 1,970,515 | 3,254,155 | 2,974,666 | 2,209,158 | 2,075,534 | 1,840,989 | 1,655,057 | 1,555,294 | 1,538,363 |
| Natural Resources | 90,248 | 123,036 | 219,659 | 169,528 | 135,491 | 120,374 | 92,383 | 77,934 | 93,900 | 149,878 |
| Social Assistance | 9,430,179 | 8,589,168 | 8,810,715 | 10,489,419 | 8,825,599 | 9,627,104 | 8,089,560 | 7,174,711 | 6,746,574 | 6,397,426 |
| Transportation | 1,884,872 | 1,875,438 | 2,179,299 | 2,105,462 | 1,830,368 | 1,896,904 | 1,872,441 | 1,769,013 | 1,777,488 | 1,974,009 |
| Total Governmental Activities | | | | | | | | | | |
| Interest on Debt | 103,339 | 109,075 | 60,778 | 58,764 | 62,021 | 59,078 | 53,094 | 16,284 | 40,935 | 32,487 |
| TOTAL EXPENSES | 22,884,871 | 22,300,005 | 23,521,991 | 24,586,855 | 23,084,511 | 21,449,942 | 19,230,568 | 17,718,082 | 16,947,448 | 17,081,353 |
| NET (EXPENSE) REVENUE | (12,924,219) | (13,442,710) | (14,698,761) | (13,560,258) | (11,513,668) | (10,961,337) | (9,805,340) | (9,206,557) | (8,677,323) | (8,570,662) |
| GENERAL REVENUES AND | | | | | | | | | | |
| OTHER CHANGES IN NET POSITION: | | | | | | | | | | |
| Sales and Use Taxes | 3,703,217 | 3,632,282 | 3,449,844 | 3,151,679 | 2,940,839 | 2,762,222 | 2,754,977 | 2,498,006 | 2,333,644 | 2,280,693 |
| Excise Taxes | 330,600 | 301,292 | 311,625 | 321,419 | 290,276 | 267,858 | 236,761 | 240,895 | 244,624 | 236,945 |
| Individual Income Tax | 8,037,272 | 7,505,245 | 6,978,833 | 6,291,376 | 6,061,679 | 5,847,141 | 5,285,634 | 5,154,624 | 4,653,105 | 4,151,119 |
| Corporate Income Tax | 638,303 | 963,380 | 714,313 | 432,802 | 643,761 | 613,316 | 600,002 | 606,883 | 434,885 | 441,778 |
| Other Taxes | 562,124 | 705,986 | 577,961 | 452,042 | 410,277 | 673,275 | 617,612 | 453,305 | 519,870 | 466,408 |
| Restricted Taxes | 1,271,553 | 1,348,050 | 1,273,482 | 1,169,457 | 1,132,687 | 1,186,515 | 1,052,692 | 1,039,105 | 965,784 | 928,260 |
| Unrestricted Investment Earnings (Losses) | 37,599 | 30,196 | 21,798 | 16,987 | 15,705 | 11,992 | 17,312 | 16,842 | 15,015 | 6,523 |
| Other General Revenues | 95,460 | 95,051 | 199,934 | 103,476 | 107,005 | 96,613 | 112,958 | 97,402 | 96,213 | 91,608 |
| (Transfers-Out) / Transfers-In | (395,097) | (279,131) | (254,324) | (353,647) | (352,733) | (256,738) | (172,442) | (128,535) | (135,407) | (110,266) |
| Internal Capital Contributions | - | - | 44 | - | (1,583) | - | - | - | - | - |
| Permanent Fund Additions | 580 | 1,062 | 277 | 766 | 80 | 401 | 397 | 741 | 595 | 460 |
| TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION: | 14,281,611 | 14,303,413 | 13,273,787 | 11,586,357 | 11,247,993 | 11,202,595 | 10,505,903 | 9,979,268 | 9,128,328 | 8,493,528 |
| TOTAL CHANGES IN NET POSITION | 1,357,392 | 860,703 | (1,424,974) | (1,973,901) | (265,675) | 241,258 | 700,563 | 772,711 | 451,005 | (77,134) |
| NET POSITION - BEGINNING | 7,913,886 | 7,029,957 | 8,707,037 | 10,589,266 | 10,796,794 | 15,649,715 | 14,958,731 | 14,179,064 | 13,393,108 | 13,455,272 |
| Prior Period Adjustment | 19,695 | 23,226 | 8,583 | 91,672 | 58,147 | (6,626) | 1,718 | 6,956 | 334,951 | 14,970 |
| Accounting Changes | - | - | (260,689) | - | - | (5,087,553) | (11,297) | - | - | - |
| NET POSITION, FISCAL YEAR BEGINNING (as restated) | 7,933,581 | 7,053,183 | 8,454,931 | 10,680,938 | 10,854,941 | 10,555,536 | 14,949,152 | 14,186,020 | 13,728,059 | 13,470,242 |
| NET POSITION - ENDING | $ 9,290,973 | $ 7,913,886 | $ 7,029,957 | $ 8,707,037 | $ 10,589,266 | $ 10,796,794 | $ 15,649,715 | $ 14,958,731 | $ 14,179,064 | $ 13,393,108 |

**GOVERNMENT-WIDE**
**SCHEDULE OF CHANGES IN NET POSITION**
**BUSINESS-TYPE ACTIVITIES**
**Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

| Functions/Programs | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| PROGRAM REVENUES: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| Licenses and Permits | $ 205,044 | $ 179,382 | $ 168,045 | $ 165,182 | $ 159,704 | $ 157,971 | $ 141,770 | $ 133,315 | $ 131,496 | $ 120,910 |
| Service Fees | 2,766,551 | 2,712,042 | 2,449,817 | 1,404,677 | 1,297,576 | 1,145,897 | 1,068,966 | 958,451 | 865,326 | 874,990 |
| Education - Tuition, Fees, and Sales | 3,483,570 | 3,484,740 | 3,404,969 | 3,239,887 | 3,005,967 | 2,881,240 | 2,672,136 | 2,512,026 | 2,406,696 | 2,243,375 |
| Fines and Forfeits | 3,648 | 3,493 | 4,630 | 5,769 | 4,101 | 3,968 | 15,470 | 12,860 | 9,561 | 1,945 |
| Rents and Royalties | 69,154 | 52,866 | 74,482 | 45,177 | 40,077 | 41,944 | 39,675 | 47,881 | 65,236 | 29,507 |
| Sales of Products | 722,152 | 747,732 | 686,196 | 622,179 | 661,084 | 605,101 | 607,744 | 636,115 | 624,407 | 592,794 |
| Unemployment Surcharge | 546,038 | 546,650 | 562,095 | 646,336 | 603,708 | 698,609 | 736,985 | 725,854 | 828,530 | 791,317 |
| Other | 243,765 | 207,087 | 164,008 | 188,112 | 165,237 | 155,707 | 154,424 | 159,162 | 152,448 | 153,321 |
| Operating Grants and Contributions | 8,374,699 | 5,119,323 | 5,082,655 | 2,556,915 | 2,449,163 | 2,281,931 | 2,569,038 | 2,730,519 | 3,165,718 | 3,689,492 |
| Capital Grants and Contributions | 123,273 | 62,609 | 89,542 | 43,873 | 42,996 | 78,304 | 56,899 | 96,655 | 132,067 | 25,432 |
| TOTAL PROGRAM REVENUES | 16,537,894 | 13,115,924 | 12,686,439 | 8,918,107 | 8,429,613 | 8,050,672 | 8,063,107 | 8,012,838 | 8,381,485 | 8,523,083 |
| EXPENSES: | | | | | | | | | | |
| Higher Education | 6,993,311 | 7,111,041 | 8,612,196 | 7,829,889 | 6,446,902 | 6,004,484 | 5,618,507 | 5,258,665 | 5,068,481 | 4,755,385 |
| Healthcare Affordability | 3,515,207 | 3,414,018 | 3,294,611 | - | - | - | - | - | - | - |
| Unemployment Insurance | 4,765,139 | 385,192 | 444,181 | 518,891 | 531,607 | 530,130 | 756,484 | 1,055,148 | 1,571,321 | 2,141,728 |
| Lottery | 582,721 | 580,808 | 547,805 | 494,110 | 517,847 | 474,578 | 477,434 | 501,010 | 495,847 | 470,480 |
| Parks and Wildlife | 166,782 | 184,870 | 294,065 | 257,959 | 203,794 | 191,426 | 170,898 | 177,497 | 160,933 | 108,425 |
| College Assist | 201,200 | 222,726 | 247,361 | 315,478 | 320,774 | 338,631 | 341,684 | 407,229 | 403,023 | 402,648 |
| Other Business-Type Activities | 128,606 | 212,190 | 301,094 | 219,844 | 282,471 | 217,838 | 209,871 | 187,265 | 196,542 | 191,123 |
| TOTAL EXPENSES | 16,352,966 | 12,110,845 | 13,741,313 | 9,636,171 | 8,303,395 | 7,757,087 | 7,574,878 | 7,586,814 | 7,896,147 | 8,069,789 |
| NET (EXPENSE) REVENUE | 184,928 | 1,005,079 | (1,054,874) | (718,064) | 126,218 | 293,585 | 488,229 | 426,024 | 485,338 | 453,294 |
| GENERAL REVENUES AND | | | | | | | | | | |
| OTHER CHANGES IN NET POSITION: | | | | | | | | | | |
| Other Taxes | - | - | - | - | - | 7 | - | - | - | - |
| Special and/or Extraordinary Items | - | - | - | (808) | - | - | (22,186) | - | - | 1,493 |
| (Transfers-Out) / Transfers-In | 395,097 | 279,131 | 254,324 | 353,647 | 352,733 | 256,738 | 172,442 | 128,535 | 135,407 | 110,266 |
| Internal Capital Contributions | - | 57,541 | 51,439 | - | 10,183 | - | - | - | - | - |
| TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION: | 395,097 | 336,672 | 305,763 | 352,839 | 362,916 | 256,745 | 150,256 | 128,535 | 135,407 | 111,759 |
| TOTAL CHANGES IN NET POSITION | 580,025 | 1,341,751 | (749,111) | (365,225) | 489,134 | 550,330 | 638,485 | 554,559 | 620,745 | 565,053 |
| NET POSITION - BEGINNING | 4,520,020 | 3,170,907 | 4,570,333 | 4,981,653 | 4,497,828 | 7,289,798 | 6,688,706 | 6,139,998 | 5,264,683 | 4,746,480 |
| Prior Period Adjustment | 11,209 | 7,362 | - | 545 | (5,309) | - | (6,922) | (5,851) | 254,570 | (46,850) |
| Accounting Changes | 2,446 | - | (650,315) | (46,640) | - | (3,342,300) | (30,471) | - | - | - |
| NET POSITION, FISCAL YEAR BEGINNING (as restated) | 4,533,675 | 3,178,269 | 3,920,018 | 4,935,558 | 4,492,519 | 3,947,498 | 6,651,313 | 6,134,147 | 5,519,253 | 4,699,630 |
| NET POSITION - ENDING | $ 5,113,700 | $ 4,520,020 | $ 3,170,907 | $ 4,570,333 | $ 4,981,653 | $ 4,497,828 | $ 7,289,798 | $ 6,688,706 | $ 6,139,998 | $ 5,264,683 |

**GOVERNMENT-WIDE**
**SCHEDULE OF CHANGES IN NET POSITION**
**TOTAL PRIMARY GOVERNMENT**
**Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

| Functions/Programs | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| PROGRAM REVENUES: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| Licenses and Permits | $ 764,623 | $ 738,475 | $ 732,121 | $ 707,118 | $ 678,524 | $ 659,290 | $ 613,985 | $ 580,547 | $ 574,289 | $ 575,543 |
| Service Fees | 3,172,914 | 3,102,631 | 2,807,926 | 2,411,653 | 2,436,802 | 2,025,036 | 1,970,805 | 1,924,065 | 1,767,276 | 1,610,810 |
| Education - Tuition, Fees, and Sales | 3,483,570 | 3,484,740 | 3,404,969 | 3,239,887 | 3,005,967 | 2,881,240 | 2,672,136 | 2,512,026 | 2,406,696 | 2,243,375 |
| Fines and Forfeits | 194,047 | 229,371 | 195,363 | 212,431 | 199,357 | 204,989 | 196,568 | 261,380 | 196,905 | 202,377 |
| Rents and Royalties | 225,450 | 227,951 | 221,792 | 177,487 | 182,829 | 241,011 | 222,568 | 181,782 | 213,182 | 158,095 |
| Sales of Products | 738,915 | 757,774 | 689,414 | 625,384 | 664,387 | 608,491 | 609,885 | 638,966 | 626,033 | 597,768 |
| Unemployment Surcharge | 584,114 | 580,741 | 596,340 | 678,843 | 634,476 | 727,990 | 765,620 | 751,578 | 847,837 | 809,928 |
| Other | 431,621 | 418,793 | 316,293 | 327,040 | 308,488 | 286,858 | 299,373 | 286,245 | 237,276 | 242,830 |
| Operating Grants and Contributions | 16,162,795 | 11,941,802 | 11,710,412 | 10,706,249 | 11,027,309 | 10,008,599 | 9,351,952 | 8,590,571 | 9,049,749 | 9,908,328 |
| Capital Grants and Contributions | 740,497 | 490,941 | 835,039 | 858,612 | 862,317 | 895,773 | 785,443 | 797,203 | 732,367 | 684,720 |
| TOTAL PROGRAM REVENUES | 26,498,546 | 21,973,219 | 21,509,669 | 19,944,704 | 20,000,456 | 18,539,277 | 17,488,335 | 16,524,363 | 16,651,610 | 17,033,774 |
| EXPENSES: | | | | | | | | | | |
| General Government | 1,214,677 | 1,493,871 | 739,872 | 653,247 | 485,611 | 449,261 | 447,359 | 555,507 | 224,382 | 192,579 |
| Business, Community, and Consumer Affairs | 713,827 | 734,786 | 912,495 | 919,676 | 777,458 | 711,558 | 641,182 | 584,300 | 600,068 | 667,929 |
| Education | 6,875,955 | 6,469,072 | 6,086,573 | 6,045,204 | 5,859,964 | 5,687,573 | 5,472,563 | 5,187,481 | 5,205,123 | 5,432,143 |
| Health and Rehabilitation | 836,872 | 935,044 | 1,258,445 | 1,170,889 | 2,898,841 | 822,556 | 720,997 | 697,795 | 703,684 | 696,539 |
| Justice | 1,734,902 | 1,970,515 | 3,254,155 | 2,974,666 | 2,209,158 | 2,075,534 | 1,840,989 | 1,655,057 | 1,555,294 | 1,538,363 |
| Natural Resources | 90,248 | 123,036 | 219,659 | 169,528 | 135,491 | 120,374 | 92,383 | 77,934 | 93,900 | 149,878 |
| Social Assistance | 9,430,179 | 8,589,168 | 8,810,715 | 10,489,419 | 8,825,599 | 9,627,104 | 8,089,560 | 7,174,711 | 6,746,574 | 6,397,426 |
| Transportation | 1,884,872 | 1,875,438 | 2,179,299 | 2,105,462 | 1,830,368 | 1,896,904 | 1,872,441 | 1,769,013 | 1,777,488 | 1,974,009 |
| Interest on Debt | 103,339 | 109,075 | 60,778 | 58,764 | 62,021 | 59,078 | 53,094 | 16,284 | 40,935 | 32,487 |
| Higher Education | 6,993,311 | 7,111,041 | 8,612,196 | 7,829,889 | 6,446,902 | 6,004,484 | 5,618,507 | 5,258,665 | 5,068,481 | 4,755,385 |
| Healthcare Affordability | 3,515,207 | 3,414,018 | 3,294,611 | - | - | - | - | - | - | - |
| Unemployment Insurance | 4,765,139 | 385,192 | 444,181 | 518,891 | 531,607 | 530,130 | 756,484 | 1,055,148 | 1,571,321 | 2,141,728 |
| Lottery | 582,721 | 580,808 | 547,805 | 494,110 | 517,847 | 474,578 | 477,434 | 501,010 | 495,847 | 470,480 |
| Parks and Wildlife | 166,782 | 184,870 | 294,065 | 257,959 | 203,794 | 191,426 | 170,898 | 177,497 | 160,933 | 108,425 |
| College Assist | 201,200 | 222,726 | 247,361 | 315,478 | 320,774 | 338,631 | 341,684 | 407,229 | 403,023 | 402,648 |
| Other Business- Type Activities | 128,606 | 212,190 | 301,094 | 219,844 | 282,471 | 217,838 | 209,871 | 187,265 | 196,542 | 191,123 |
| TOTAL EXPENSES | 39,237,837 | 34,410,850 | 37,263,304 | 34,223,026 | 31,387,906 | 29,207,029 | 26,805,446 | 25,304,896 | 24,843,595 | 25,151,142 |
| NET (EXPENSE) REVENUE | (12,739,291) | (12,437,631) | (15,753,635) | (14,278,322) | (11,387,450) | (10,667,752) | (9,317,111) | (8,780,533) | (8,191,985) | (8,117,368) |
| GENERAL REVENUES AND OTHER CHANGES IN NET POSITION: | | | | | | | | | | |
| Sales and Use Taxes | 3,703,217 | 3,632,282 | 3,449,844 | 3,151,679 | 2,940,839 | 2,762,222 | 2,754,977 | 2,498,006 | 2,333,644 | 2,280,693 |
| Excise Taxes | 330,600 | 301,292 | 311,625 | 321,419 | 290,276 | 267,858 | 236,761 | 240,895 | 244,624 | 236,945 |
| Individual Income Tax | 8,037,272 | 7,505,245 | 6,978,833 | 6,291,376 | 6,061,679 | 5,847,141 | 5,285,634 | 5,154,624 | 4,653,105 | 4,151,119 |
| Corporate Income Tax | 638,303 | 963,380 | 714,313 | 432,802 | 643,761 | 613,316 | 600,002 | 606,883 | 434,885 | 441,778 |
| Other Taxes | 562,124 | 705,986 | 577,961 | 452,042 | 410,277 | 673,282 | 617,612 | 453,305 | 519,870 | 466,408 |
| Restricted Taxes | 1,271,553 | 1,348,050 | 1,273,482 | 1,169,457 | 1,132,687 | 1,186,515 | 1,052,692 | 1,039,105 | 965,784 | 928,260 |
| Unrestricted Investment Earnings (Losses) | 37,599 | 30,196 | 21,798 | 16,987 | 15,705 | 11,992 | 17,312 | 16,842 | 15,015 | 6,523 |
| Other General Revenues | 95,460 | 95,051 | 199,934 | 103,476 | 107,005 | 96,613 | 112,958 | 97,402 | 96,213 | 91,608 |
| Special and/or Extraordinary Items | - | - | - | (808) | - | - | (22,186) | 0 | 0 | 1,493 |
| Internal Capital Contributions | - | 57,541 | 51,483 | - | 8,600 | - | - | - | - | - |
| Permanent Fund Additions | 580 | 1,062 | 277 | 766 | 80 | 401 | 397 | 741 | 595 | 460 |
| TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION: | 14,676,708 | 14,640,085 | 13,579,550 | 11,939,196 | 11,610,909 | 11,459,340 | 10,656,159 | 10,107,803 | 9,263,735 | 8,605,287 |
| TOTAL CHANGES IN NET POSITION | 1,937,417 | 2,202,454 | (2,174,085) | (2,339,126) | 223,459 | 791,588 | 1,339,048 | 1,327,270 | 1,071,750 | 487,919 |
| NET POSITION - BEGINNING | 12,433,906 | 10,200,864 | 13,277,370 | 15,570,919 | 15,294,622 | 22,939,513 | 21,647,437 | 20,319,062 | 18,657,791 | 18,201,752 |
| Prior Period Adjustment | 30,904 | 30,588 | 8,583 | 92,217 | 52,838 | (6,626) | (5,204) | 1,105 | 589,521 | (31,880) |
| Accounting Changes | 2,446 | - | (911,004) | (46,640) | - | (8,429,853) | (41,768) | - | 0 | - |
| NET POSITION, FISCAL YEAR BEGINNING (as restated) | 12,467,256 | 10,231,452 | 12,374,949 | 15,616,496 | 15,347,460 | 14,503,034 | 21,600,465 | 20,320,167 | 19,247,312 | 18,169,872 |
| NET POSITION - ENDING | $ 14,404,673 | $ 12,433,906 | $ 10,200,864 | $ 13,277,370 | $ 15,570,919 | $ 15,294,622 | $ 22,939,513 | $ 21,647,437 | $ 20,319,062 | $ 18,657,791 |

**SCHEDULE OF REVENUES, EXPENDITURES,**
**AND CHANGES IN FUND BALANCE**
**ALL GOVERNMENTAL FUND TYPES**
**Last Ten Fiscal Years**

(DOLLARS IN MILLIONS)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 [1] |
|---|---|---|---|---|---|---|---|---|---|---|
| REVENUES: | | | | | | | | | | |
| Taxes | $ 14,616 | $ 14,199 | $ 13,389 | $ 11,835 | $ 11,471 | $ 11,205 | $ 10,596 | $ 10,018 | $ 9,182 | $ 8,430 |
| Less: Excess TABOR Revenues | - | - | - | - | - | 170 | - | - | - | - |
| Licenses, Permits, and Fines | 832 | 869 | 940 | 838 | 810 | 801 | 758 | 789 | 724 | 745 |
| Charges for Goods and Services | 426 | 403 | 363 | 1,012 | 1,144 | 885 | 905 | 970 | 892 | 730 |
| Rents | 156 | 175 | 147 | 132 | 143 | 199 | 183 | 134 | 148 | 129 |
| Investment Income | 397 | 352 | 41 | 46 | 139 | 99 | 115 | 19 | 120 | 97 |
| Federal Grants and Contracts | 7,837 | 6,680 | 7,047 | 8,685 | 9,047 | 8,283 | 7,183 | 6,428 | 6,223 | 6,917 |
| Unclaimed Property Receipts | 55 | 47 | 78 | 64 | 65 | 61 | 53 | 37 | 43 | 40 |
| Other | 354 | 426 | 397 | 338 | 321 | 329 | 365 | 263 | 254 | 221 |
| TOTAL REVENUES | 24,673 | 23,151 | 22,402 | 22,950 | 23,140 | 22,032 | 20,158 | 18,658 | 17,586 | 17,309 |
| EXPENDITURES: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General Government | 401 | 377 | 381 | 344 | 324 | 305 | 331 | 325 | 359 | 560 |
| Business, Community and Consumer Affairs | 526 | 493 | 480 | 453 | 474 | 469 | 395 | 375 | 363 | 388 |
| Education | 982 | 911 | 832 | 869 | 852 | 785 | 730 | 674 | 661 | 778 |
| Health and Rehabilitation | 911 | 846 | 778 | 770 | 1,784 | 699 | 658 | 641 | 626 | 592 |
| Justice | 2,103 | 1,971 | 1,808 | 1,705 | 1,741 | 1,648 | 1,605 | 1,422 | 1,322 | 1,314 |
| Natural Resources | 131 | 129 | 128 | 113 | 107 | 103 | 107 | 99 | 90 | 132 |
| Social Assistance | 8,345 | 7,539 | 7,572 | 9,358 | 8,726 | 8,627 | 7,416 | 6,488 | 6,065 | 5,655 |
| Transportation | 1,555 | 1,298 | 1,348 | 1,364 | 1,331 | 1,282 | 1,203 | 1,065 | 982 | 1,064 |
| Capital Outlay | 418 | 265 | 272 | 189 | 191 | 325 | 298 | 299 | 459 | 329 |
| Intergovernmental: | | | | | | | | | | |
| Cities | 523 | 503 | 471 | 491 | 425 | 421 | 412 | 297 | 287 | 300 |
| Counties | 1,751 | 1,916 | 1,759 | 1,740 | 1,656 | 1,627 | 1,573 | 1,504 | 1,371 | 1,478 |
| School Districts | 5,961 | 5,594 | 5,171 | 5,122 | 4,995 | 4,909 | 4,475 | 4,235 | 4,199 | 4,303 |
| Other | 451 | 410 | 244 | 255 | 227 | 205 | 202 | 323 | 177 | 185 |
| Debt Service | 163 | 179 | 128 | 239 | 280 | 270 | 261 | 247 | 236 | 208 |
| TOTAL EXPENDITURES | 24,221 | 22,431 | 21,372 | 23,012 | 23,113 | 21,675 | 19,666 | 17,994 | 17,197 | 17,286 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 452 | 720 | 1,030 | (62) | 27 | 357 | 492 | 664 | 389 | 23 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| Transfers-In | 1,702 | 1,813 | 5,447 | 5,851 | 4,915 | 4,535 | 5,405 | 5,750 | 4,622 | 4,776 |
| Transfers-Out: | | | | | | | | | | |
| Higher Education | (284) | (376) | (230) | (230) | (181) | (181) | (143) | (135) | (133) | (135) |
| Other | (1,811) | (1,711) | (5,458) | (5,966) | (5,079) | (4,607) | (5,390) | (5,728) | (4,612) | (4,731) |
| Face Amount of Debt Issued | 666 | 740 | 156 | 129 | 11 | - | 97 | 196 | 156 | 218 |
| Bond Premium/Discount | 137 | 57 | 21 | 14 | - | - | 6 | 9 | 13 | - |
| Capital Lease Debt Issuance | 1 | 1 | 4 | 1 | - | - | 25 | 1 | 17 | 17 |
| Sale of Capital Assets | 55 | 24 | 10 | 15 | 7 | 3 | 27 | 31 | 14 | - |
| Insurance Recoveries | 3 | 2 | 7 | 8 | 5 | 13 | 2 | 1 | 6 | 2 |
| Debt Refunding Issuance | - | - | - | - | - | - | 112 | 31 | 126 | - |
| Debt Refunding Premium Proceeds | - | - | - | - | - | - | - | - | 19 | |
| Debt Refunding Payments | - | - | - | - | - | - | - | (31) | (144) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 469 | 550 | (43) | (178) | (322) | (237) | 141 | 125 | 84 | 147 |
| NET CHANGE IN FUND BALANCE | 921 | 1,270 | 987 | (240) | (295) | 120 | 633 | 789 | 473 | 170 |
| FUND BALANCE - BEGINNING | 8,579 | 7,349 | 6,364 | 6,609 | 6,847 | 6,734 | 6,100 | 5,293 | 4,842 | 4,085 |
| Prior Period Adjustments | (8) | (40) | (2) | (5) | 58 | (7) | - | 18 | (22) | (4) |
| Accounting Changes | - | - | - | - | - | - | 1 | - | - | 591 |
| FUND BALANCE, FISCAL YEAR BEGINNING (as restated) | 8,571 | 7,309 | 6,362 | 6,604 | 6,905 | 6,727 | 6,101 | 5,311 | 4,820 | 4,672 |
| FUND BALANCE - ENDING | $ 9,492 | $ 8,579 | $ 7,349 | $ 6,364 | $ 6,609 | $ 6,847 | $ 6,734 | $ 6,100 | $ 5,293 | $ 4,842 |

[1] - Beginning in Fiscal Year 2011 the Supplemental Nutrition Assistance Program (SNAP) expenditures are reported in the Social Assistance line. In previous years it was reported as Intergovernmental payments in the Counties line.

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

(DOLLARS IN MILLIONS)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| Income Tax: | | | | | | | | | | |
| Individual | $ 8,056 | $ 7,328 | $ 7,006 | $ 6,209 | $ 5,993 | $ 5,888 | $ 5,273 | $ 5,149 | $ 4,633 | $ 4,154 |
| Corporate | 670 | 856 | 736 | 467 | 606 | 635 | 665 | 597 | 457 | 366 |
| Net Income Tax | 8,726 | 8,184 | 7,742 | $ 6,676 | 6,599 | 6,523 | 5,938 | 5,746 | 5,090 | 4,520 |
| Sales, Use, and Excise Taxes | 3,759 | 3,695 | 3,501 | 3,188 | 2,996 | 2,990 | 2,763 | 2,549 | 2,387 | 2,323 |
| Less: Excess TABOR Revenues | - | - | - | - | - | (170) | - | - | - | - |
| Net Sales, Use, and Excise Taxes | 3,759 | 3,695 | 3,501 | 3,188 | 2,996 | 2,820 | 2,763 | 2,549 | 2,387 | 2,323 |
| Estate Taxes | - | - | - | - | - | - | - | - | - | - |
| Insurance Tax | 337 | 315 | 304 | 291 | 280 | 257 | 239 | 210 | 197 | 190 |
| Gaming and Other Taxes | 40 | 53 | 156 | - | 16 | 14 | 12 | 12 | 20 | 20 |
| Investment Income | 31 | 27 | 20 | 15 | 13 | 9 | 15 | 17 | 14 | 8 |
| Severence Taxes to be Refunded | - | - | - | 54 | - | - | - | - | - | - |
| Other | - | - | - | 40 | 26 | 19 | 25 | 21 | 26 | 25 |
| TOTAL GENERAL REVENUES | $ 12,893 | $ 12,274 | $ 11,723 | $ 10,264 | $ 9,930 | $ 9,642 | $ 8,992 | $ 8,555 | $ 7,734 | $ 7,086 |
| Percent Change From Previous Year | 5.0% | 4.7% | 14.2% | 3.4% | 3.0% | 7.2% | 5.1% | 10.6% | 9.1% | 9.8% |
| (AS PERCENT OF TOTAL EXCLUDING TABOR REFUND) | | | | | | | | | | |
| Net Income Tax | 67.7% | 66.7% | 66.0% | 65.0% | 66.5% | 66.5% | 66.0% | 67.2% | 65.8% | 63.8% |
| Sales, Use, and Excise Taxes | 29.2 | 30.1 | 29.9 | 31.2 | 30.1 | 30.5 | 30.7 | 29.8 | 30.9 | 32.7 |
| Estate Taxes | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Insurance Tax | 2.6 | 2.6 | 2.6 | 2.8 | 2.8 | 2.6 | 2.7 | 2.5 | 2.5 | 2.7 |
| Other Taxes | 0.3 | 0.4 | 1.3 | 0.0 | 0.2 | 0.1 | 0.1 | 0.1 | 0.3 | 0.3 |
| Interest | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.1 |
| Fiscal Emergency Fund | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Severence Taxes to be Refunded | 0.0 | 0.0 | 0.0 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | 0.0 | 0.0 | 0.0 | 0.4 | 0.3 | 0.2 | 0.3 | 0.2 | 0.3 | 0.4 |
| TOTAL GENERAL REVENUES | 100.0% | 100.0% | 100.0% | 100.0% | 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)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| Department:[1] | | | | | | | | | | |
| Agriculture | $ 12,018 | $ 11,346 | $ 10,428 | $ 10,639 | $ 10,050 | $ 8,633 | $ 7,697 | $ 6,975 | $ 5,152 | $ 4,658 |
| Corrections | 876,905 | 837,497 | 773,788 | 748,559 | 758,545 | 717,579 | 675,706 | 652,394 | 647,313 | 657,559 |
| Education | 4,412,459 | 4,114,576 | 4,070,889 | 3,764,298 | 3,477,785 | 3,357,324 | 3,153,609 | 3,014,681 | 2,833,433 | 2,962,954 |
| Governor | 45,321 | 42,375 | 36,283 | 39,615 | 34,609 | 30,267 | 22,819 | 18,555 | 9,699 | 11,600 |
| Health Care Policy and Financing | 3,021,536 | 2,923,196 | 2,727,717 | 2,468,392 | 2,446,338 | 2,274,875 | 2,100,771 | 1,829,776 | 1,685,679 | 1,267,889 |
| Higher Education | 1,110,841 | 1,001,121 | 894,450 | 870,664 | 856,849 | 761,306 | 658,901 | 628,565 | 623,963 | 705,085 |
| Human Services | 1,088,434 | 1,055,818 | 984,291 | 918,130 | 936,071 | 877,162 | 812,603 | 753,225 | 703,676 | 710,966 |
| Judicial Branch | 597,673 | 561,799 | 514,874 | 487,636 | 481,550 | 441,700 | 386,870 | 354,119 | 337,039 | 325,173 |
| Labor and Employment | 24,341 | 20,539 | 21,302 | 21,579 | 7,754 | 660 | 50 | - | - | - |
| Law | 17,553 | 16,396 | 15,722 | 14,774 | 14,525 | 13,457 | 12,127 | 10,355 | 9,341 | 9,313 |
| Legislative Branch | 54,052 | 51,082 | 48,202 | 44,880 | 43,410 | 41,132 | 38,712 | 35,957 | 34,672 | 31,736 |
| Local Affairs | 46,290 | 37,125 | 29,184 | 25,235 | 25,481 | 22,244 | 17,540 | 10,976 | 10,448 | 10,579 |
| Military and Veterans Affairs | 10,924 | 10,983 | 30,814 | 8,253 | 7,907 | 7,792 | 7,094 | 6,576 | 5,355 | 4,969 |
| Natural Resources | 34,282 | 32,307 | 30,882 | 28,711 | 27,519 | 26,216 | 25,141 | 23,620 | 23,400 | 26,233 |
| Personnel & Administration | 16,229 | 13,971 | 12,088 | 12,273 | 11,034 | 7,601 | 31,407 | 6,588 | 3,935 | 4,823 |
| Public Health and Environment | 60,841 | 53,492 | 46,506 | 48,448 | 49,964 | 59,383 | 53,588 | 31,199 | 27,742 | 27,165 |
| Public Safety | 163,721 | 185,018 | 124,204 | 122,404 | 113,976 | 126,747 | 165,240 | 85,595 | 81,993 | 80,239 |
| Regulatory Agencies | 2,334 | 6,224 | 5,964 | 5,742 | 6,073 | 6,007 | 1,730 | 1,674 | 1,597 | 1,529 |
| Revenue | 327,633 | 260,583 | 250,438 | 90,957 | 149,361 | 97,249 | 73,626 | 55,078 | 55,596 | 52,540 |
| Transportation | - | - | - | 392 | 102 | - | - | - | - | - |
| Treasury | 660,126 | 774,821 | 190,457 | 15,908 | 12,522 | 5,684 | 108,870 | 27,650 | 4,914 | 4,140 |
| Transfer to Capital Construction Fund | 112,692 | 90,382 | 92,084 | 84,484 | 271,130 | 248,502 | 186,715 | 61,411 | 49,298 | 11,985 |
| Transfer to Various Cash Funds | 361,300 | 814,200 | 674,900 | 194,735 | 90,196 | 67,555 | 260,272 | 1,086,051 | 72,000 | 296,872 |
| Transfer to the Highway Users Tax Fund | - | - | - | 79,000 | 199,200 | - | - | - | - | - |
| Other Transfers and Nonoperating Disbursements | 25,125 | 278,999 | 181,151 | 153,379 | 143,492 | 127,795 | 126,263 | 262,406 | 25,479 | 19,422 |
| TOTALS | $13,082,630 | $ 13,193,850 | $ 11,766,618 | $10,259,087 | $ 10,175,443 | $ 9,326,870 | $ 8,927,351 | $ 8,963,426 | $ 7,251,724 | $ 7,227,429 |
| Percent Change | -0.8% | 12.1% | 14.7% | 0.8% | 9.1% | 4.5% | -0.4% | 23.6% | 0.3% | 6.9% |
| (AS PERCENT OF TOTAL) | | | | | | | | | | |
| Education | 33.7% | 31.2% | 34.6% | 36.7% | 34.2% | 36.0% | 35.3% | 33.6% | 39.1% | 41.0% |
| Health Care Policy and Financing | 23.1 | 22.2 | 23.2 | 24.1 | 24.0 | 24.4 | 23.5 | 20.4 | 23.2 | 17.5 |
| Higher Education | 8.5 | 7.6 | 7.6 | 8.5 | 8.4 | 8.2 | 7.4 | 7.0 | 8.6 | 9.8 |
| Human Services | 8.3 | 8.0 | 8.4 | 8.9 | 9.2 | 9.4 | 9.1 | 8.4 | 9.7 | 9.8 |
| Corrections | 6.7 | 6.3 | 6.6 | 7.3 | 7.5 | 7.7 | 7.6 | 7.3 | 8.9 | 9.1 |
| Transfer to Capital Construction Fund | 0.9 | 0.7 | 0.8 | 0.8 | 2.7 | 2.7 | 2.1 | 0.7 | 0.7 | 0.2 |
| Transfer to Various Cash Funds | 2.8 | 6.2 | 5.7 | 1.9 | 0.9 | 0.7 | 2.9 | 12.1 | 1.0 | 4.1 |
| Transfers to the Highway Users Tax Fund | 0.0 | 0.0 | 0.0 | 0.8 | 2.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Judicial | 4.6 | 4.3 | 4.4 | 4.8 | 4.7 | 4.7 | 4.3 | 4.0 | 4.6 | 4.5 |
| Revenue | 2.5 | 2.0 | 2.1 | 0.9 | 1.5 | 1.0 | 0.8 | 0.6 | 0.8 | 0.7 |
| All Others | 8.9 | 11.5 | 6.6 | 5.3 | 4.9 | 5.2 | 7.0 | 5.9 | 3.4 | 3.3 |
| TOTALS | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 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.

**FUND BALANCE**
**GOVERNMENTAL FUND TYPES**
**Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011[1] |
|---|---|---|---|---|---|---|---|---|---|---|
| GENERAL: | | | | | | | | | | |
| Nonspendable: | | | | | | | | | | |
| Inventories | 14,343 | 9,944 | 7,975 | 8,503 | 7,522 | 8,894 | 8,721 | 9,931 | 6,942 | 8,742 |
| Prepaids | 69,432 | 38,547 | 38,173 | 39,348 | 37,977 | 40,971 | 38,535 | 22,654 | 24,175 | 33,009 |
| Restricted | 823,528 | 814,658 | 626,068 | 442,249 | 497,814 | 398,948 | 468,758 | 487,161 | 503,449 | 542,997 |
| Committed | 616,483 | 1,114,406 | 970,235 | 646,700 | 513,986 | 705,844 | 411,362 | 279,352 | 331,419 | 39,458 |
| Assigned | 35,241 | 33,264 | 29,641 | 17,218 | 19,283 | 20,731 | 7,651 | 7 | 20 | 109 |
| Unassigned | 842,567 | 52,088 | 334,660 | - | - | - | - | - | 359,421 | (21,468) |
| TOTAL FUND BALANCE | 2,401,594 | 2,062,907 | 2,006,752 | 1,154,018 | 1,076,582 | 1,175,388 | 935,027 | 799,105 | 1,225,426 | 602,847 |
| FEDERAL SPECIAL REVENUE: | | | | | | | | | | |
| Restricted | 21,350 | - | - | - | - | - | - | - | - | - |
| TOTAL FUND BALANCE | 21,350 | - | - | - | - | - | - | - | - | - |
| HIGHWAY USERS TAX: | | | | | | | | | | |
| Nonspendable: | | | | | | | | | | |
| Long-term Portion of Interfund Loans Receivable | - | - | - | - | 30 | - | - | - | - | - |
| Inventories | 20,946 | 18,012 | 8,281 | 9,334 | 8,860 | 8,377 | 7,673 | 8,249 | 8,406 | 9,390 |
| Prepaids | 5,032 | 3,717 | 3,729 | 679 | 1,252 | 1,908 | 1,481 | 4,210 | 64 | 55 |
| Restricted | 900,962 | 961,284 | 882,113 | 917,778 | 975,001 | 942,510 | 1,080,201 | 1,145,997 | 1,176,269 | 1,160,789 |
| Committed | 51,413 | 59,641 | 58,076 | 52,929 | 46,278 | 35,765 | 41,017 | 39,087 | 38,254 | 32,779 |
| TOTAL FUND BALANCE | 978,353 | 1,042,654 | 952,199 | 980,720 | 1,031,421 | 988,560 | 1,130,372 | 1,197,543 | 1,222,993 | 1,203,013 |
| ALL OTHER GOVERNMENTAL FUNDS: | | | | | | | | | | |
| Nonspendable: | | | | | | | | | | |
| Long-term Portion of Interfund Loans Receivable | - | 13 | 12 | - | 19,141 | - | - | - | - | - |
| Inventories | 105,795 | 72,311 | 35,171 | 35,445 | 36,166 | 36,059 | 36,008 | 36,013 | 284 | 449 |
| Permanent Fund Principal | 1,398,247 | 1,274,846 | 1,186,138 | 1,122,480 | 1,043,619 | 971,676 | 868,383 | 760,160 | 737,239 | 658,883 |
| Prepaids | 35,781 | 39,324 | 38,387 | 27,007 | 24,046 | 23,941 | 27,884 | 28,487 | 28,601 | 21,485 |
| Restricted | 558,485 | 503,018 | 516,128 | 418,847 | 607,618 | 1,000,463 | 1,466,516 | 1,637,012 | 497,221 | 827,299 |
| Committed | 3,992,116 | 3,583,836 | 2,614,577 | 2,624,986 | 2,770,832 | 2,650,703 | 2,269,885 | 1,641,899 | 1,581,143 | 1,527,996 |
| TOTAL FUND BALANCE | 6,090,424 | 5,473,348 | 4,390,413 | 4,228,765 | 4,501,422 | 4,682,842 | 4,668,676 | 4,103,571 | 2,844,488 | 3,036,112 |
| TOTAL FUND BALANCE | $ 9,491,721 | $ 8,578,909 | $ 7,349,364 | $ 6,363,503 | $ 6,609,425 | $ 6,846,790 | $ 6,734,075 | $ 6,100,219 | $ 5,292,907 | $ 4,841,972 |

1 - The implementation of Governmental Accounting Standards Board Statement No. 54 in Fiscal Year 2011 resulted in a significant change in the State's

**TABOR REVENUES, EXPENDITURES,**
**FISCAL YEAR SPENDING LIMITATIONS,**
**AND REFUNDS**
**Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| DISTRICT REVENUES: | | | | | | | | | | |
| Exempt District Revenues | $ 20,523,556 | $ 18,613,345 | $ 17,388,665 | $ 17,784,588 | $ 18,170,415 | $ 16,980,420 | $ 17,076,305 | $ 16,446,833 | $ 15,017,772 | $ 15,532,632 |
| Nonexempt District Revenues | 14,873,754 | 14,788,420 | 13,720,881 | 12,891,657 | 12,824,408 | 12,530,772 | 11,691,905 | 11,107,341 | 10,273,184 | 9,424,764 |
| TOTAL DISTRICT REVENUES | 35,397,310 | 33,401,765 | 31,109,546 | 30,676,245 | 30,994,823 | 29,511,192 | 28,768,210 | 27,554,174 | 25,290,956 | 24,957,396 |
| Percent Change In Nonexempt District Revenues | 0.6% | 7.8% | 6.4% | 0.5% | 2.3% | 7.2% | 5.3% | 8.1% | 9.0% | 10.0% |
| DISTRICT EXPENDITURES: | | | | | | | | | | |
| Exempt District Expenditures | 20,523,556 | 18,613,345 | 17,388,666 | 17,784,588 | 18,170,415 | 16,980,420 | 17,076,305 | 16,446,833 | 15,017,772 | 15,532,632 |
| Nonexempt District Expenditures | 13,759,681 | 13,001,752 | 12,852,870 | 13,251,437 | 13,076,457 | 12,237,753 | 11,016,588 | 10,263,972 | 9,791,616 | 9,330,892 |
| TOTAL DISTRICT EXPENDITURES | 34,283,237 | 31,615,097 | 30,241,536 | 31,036,025 | 31,246,872 | 29,218,173 | 28,092,893 | 26,710,805 | 24,809,388 | 24,863,524 |
| Percent Change In Nonexempt District Expenditures | 5.8% | 1.2% | -3.0% | 1.3% | 6.9% | 11.1% | 7.3% | 4.8% | 4.9% | 8.0% |
| TOTAL DISTRICT RESERVE/FUND BALANCE INCREASE (DECREASE) | $ 1,114,073 | $ 1,786,668 | $ 868,010 | $ (359,780) | $ (252,049) | $ 293,019 | $ 675,317 | $ 843,369 | $ 481,568 | $ 93,872 |
| FISCAL YEAR SPENDING LIMIT | | | | | | | | | | |
| Prior Fiscal Year Spending Limitation | $ 11,759,345 | $ 11,220,749 | $ 10,761,667 | $ 10,427,606 | $ 9,976,946 | $ 9,566,586 | $ 9,247,466 | $ 8,799,754 | $ 8,654,192 | $ 8,567,941 |
| Adjustments To Prior Year Limit[1] | - | - | (24,108) | 10,480 | (45,595) | (962) | (152) | (27,952) | (26,982) | (16,368) |
| ADJUSTED PRIOR YEAR FISCAL SPENDING LIMITATION | 11,759,345 | 11,220,749 | 10,737,559 | 10,438,086 | 9,931,351 | 9,565,624 | 9,247,314 | 8,771,802 | 8,627,210 | 8,551,573 |
| Allowable Growth Rate (Population Plus Inflation) | 4.1% | 4.8% | 4.5% | 3.1% | 4.4% | 4.3% | 3.3% | 5.4% | 2.0% | 1.2% |
| Current Fiscal Year Spending Limitation | 12,241,478 | 11,759,345 | 11,220,749 | 10,761,667 | 10,368,330 | 9,976,946 | 9,552,475 | 9,245,479 | 8,799,754 | 8,654,192 |
| Adjustments To Current Year Limit | 7,525 | - | - | - | 59,276 | 0 | 14,111 | 1,987 | - | - |
| ADJUSTED CURRENT YEAR FISCAL SPENDING LIMITATION | 12,249,003 | 11,759,345 | 11,220,749 | 10,761,667 | 10,427,606 | 9,976,946 | 9,566,586 | 9,247,466 | 8,799,754 | 8,654,192 |
| EXCESS STATE REVENUE CAP (ESRC)[2] | 14,956,372 | 14,360,084 | 13,702,371 | 13,327,811 | 12,946,499 | 12,361,032 | 11,852,383 | 11,460,242 | 10,871,425 | 10,684,856 |
| NONEXEMPT DISTRICT REVENUES | 14,873,754 | 14,788,420 | 13,720,881 | 12,891,657 | 12,824,408 | 12,530,772 | 11,691,905 | 11,107,341 | 10,273,184 | 9,424,764 |
| Amount Over(Under) Adjusted Fiscal Year Spending Limitation | 2,624,751 | 3,029,075 | 2,500,132 | 2,129,990 | 2,396,802 | 2,553,826 | 2,125,319 | 1,859,875 | 1,473,430 | 770,572 |
| Amount Over(Under) Excess State Revenue Cap | (82,618) | 428,336 | 18,510 | (436,154) | (122,091) | 169,740 | (160,478) | (352,901) | (598,242) | (1,260,092) |
| Correction Of Prior Years' Refunds | 575 | 3,207 | - | (346) | (13,899) | - | - | - | - | - |
| FISCAL YEAR REFUND | $ - | $ 431,685 | $ 18,510 | $ - | $ - | $ 173,346 | $ - | $ - | $ - | $ - |

1 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.
2 Beginning in Fiscal Year 2011, with the expiration of the Referendum C retention period, Fiscal Year Refunds are based on the Excess State Revenue Cap rather than the Fiscal Year Spending Limit.

**DEBT SERVICE EXPENDITURES**
**ALL GOVERNMENTAL FUND TYPES**
**Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| DEBT SERVICE EXPENDITURES: | | | | | | | | | | |
| Principal | $ 61,201 | $ 85,722 | $ 62,203 | $ 177,925 | $ 210,390 | $ 194,818 | $ 184,106 | $ 163,939 | $ 150,690 | $ 124,993 |
| Interest | 102,291 | 94,654 | 65,566 | 60,781 | 69,729 | 74,689 | 77,005 | 82,660 | 85,586 | 82,829 |
| TOTAL DEBT SERVICE EXPENDITURES | $ 163,492 | $ 180,376 | $ 127,769 | $ 238,706 | $ 280,119 | $ 269,507 | $ 261,111 | $ 246,599 | $ 236,276 | $ 207,822 |
| Percent Change Over Previous Year | -9.4% | 41.2% | -46.5% | -14.8% | 3.9% | 3.2% | 5.9% | 4.4% | 13.7% | 7.1% |
| TOTAL NONCAPITAL EXPENDITURES | 22,859,536 | 21,394,396 | 20,293,035 | 21,788,949 | 22,034,812 | 20,480,883 | 19,001,514 | 17,329,054 | 16,470,142 | 16,654,138 |
| TOTAL CAPITAL EXPENDITURES | 1,361,585 | 1,036,687 | 1,079,152 | 1,222,662 | 1,078,383 | 1,194,596 | 664,762 | 653,157 | 726,501 | 631,546 |
| TOTAL GOVERNMENTAL EXPENDITURES | 24,221,121 | 22,431,083 | 21,372,187 | 23,011,611 | 23,113,195 | 21,675,479 | 19,666,276 | 17,982,211 | 17,196,643 | 17,285,684 |
| DEBT SERVICE EXPENDITURES AS PERCENT OF TOTAL NONCAPITAL EXPENDITURES: | | | | | | | | | | |
| Principal | 0.3% | 0.4% | 0.3% | 0.8% | 1.0% | 1.0% | 1.0% | 0.9% | 0.9% | 0.8% |
| Interest | 0.4% | 0.4% | 0.3% | 0.3% | 0.3% | 0.4% | 0.4% | 0.5% | 0.5% | 0.5% |
| Total Debt Service Expenditures | 0.7% | 0.8% | 0.6% | 1.1% | 1.3% | 1.3% | 1.4% | 1.4% | 1.4% | 1.2% |

**TOTAL OUTSTANDING DEBT[1,2,3]**
**PRIMARY GOVERNMENT**
**Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| Governmental Activities: | | | | | | | | | | |
| Revenue Backed Debt | $ - | $ - | $ - | $ - | $ 127,925 | $ 289,789 | $ 443,881 | $ 574,147 | $ 739,138 | $ 869,282 |
| Certificates of Participation | 2,903,588 | 2,152,555 | 1,426,314 | 1,302,382 | 1,205,172 | 1,227,828 | 1,267,869 | 1,192,193 | 1,018,456 | 897,632 |
| Capital Leases | 119,822 | 123,600 | 131,873 | 142,153 | 150,665 | 172,329 | 174,996 | 151,010 | 121,429 | 107,588 |
| Notes and Mortgages | 4,585 | 6,805 | 8,979 | 11,115 | 13,205 | 15,250 | 17,385 | 19,220 | 19,369 | - |
| TOTAL GOVERNMENTAL OUTSTANDING DEBT | 3,027,995 | 2,282,960 | 1,567,166 | 1,455,650 | 1,496,967 | 1,705,196 | 1,904,131 | 1,936,570 | 1,898,392 | 1,874,502 |
| Business-Type Activities: | | | | | | | | | | |
| Revenue Backed Debt | 4,637,188 | 4,452,563 | 4,602,833 | 4,391,057 | 4,320,596 | 4,242,726 | 3,967,023 | 3,724,951 | 3,753,617 | 2,762,166 |
| Certificates of Participation | 393,248 | 433,021 | 461,461 | 346,769 | 372,661 | 399,231 | 403,761 | 403,603 | 420,951 | 430,537 |
| Capital Leases | 35,645 | 37,402 | 48,152 | 49,891 | 57,126 | 54,281 | 42,192 | 41,728 | 39,038 | 48,416 |
| Notes and Mortgages | 66,371 | 67,985 | 60,047 | 61,396 | 53,968 | 28,317 | 4,810 | 3,522 | 7,353 | 3,503 |
| TOTAL BUSINESS-TYPE OUTSTANDING DEBT | 5,132,452 | 4,990,971 | 5,172,493 | 4,849,113 | 4,804,351 | 4,724,555 | 4,417,786 | 4,173,804 | 4,220,959 | 3,244,622 |
| Total Primary Government: | | | | | | | | | | |
| Revenue Backed Debt | 4,637,188 | 4,452,563 | 4,602,833 | 4,391,057 | 4,448,521 | 4,532,515 | 4,410,904 | 4,299,098 | 4,492,755 | 3,631,448 |
| Certificates of Participation | 3,296,836 | 2,585,576 | 1,887,775 | 1,649,151 | 1,577,833 | 1,627,059 | 1,671,630 | 1,595,796 | 1,439,407 | 1,328,169 |
| Capital Leases | 155,467 | 161,002 | 180,025 | 192,044 | 207,791 | 226,610 | 217,188 | 192,738 | 160,467 | 156,004 |
| Notes and Mortgages | 70,956 | 74,790 | 69,026 | 72,511 | 67,173 | 43,567 | 22,195 | 22,742 | 26,722 | 3,503 |
| TOTAL OUTSTANDING DEBT[1] | $ 8,160,447 | $ 7,273,931 | $ 6,739,659 | $ 6,304,763 | $6,301,318 | $ 6,429,751 | $ 6,321,917 | $ 6,110,374 | $ 6,119,351 | $ 5,119,124 |
| Percent Change Over Previous Year | 12.2% | 7.9% | 6.9% | 0.1% | -2.0% | 1.7% | 3.5% | -0.1% | 19.5% | -0.8% |
| Colorado Population (In Thousands) Restated for Census | 5,759 | 5,772 | 5,691 | 5,612 | 5,539 | 5,451 | 5,350 | 5,271 | 5,186 | 5,118 |
| Per Capita Debt (Dollars Per Person) Restated for Census | $1,417 | $1,260 | $1,184 | $1,123 | $1,138 | $1,180 | $1,182 | $1,159 | $1,180 | $1,000 |
| Per Capita Income (Thousands Per Person) | $61.3 | $59.0 | $58.5 | $55.4 | $52.3 | $52.1 | $50.7 | $47.2 | $45.6 | $43.0 |
| Per Capita Debt as a Percent of Per Capita Income | 2.3% | 2.1% | 2.0% | 2.0% | 2.2% | 2.3% | 2.3% | 2.5% | 2.6% | 2.3% |

[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 unforseen revenue deficiencies.
[2] - Colorado State Constitution requires multi-years obligations to be approved by voters therefore there is no specific legal debt limitation.
[3] - Beginning in Fiscal Year 2014 debt liabilities are not offset by unamortized refunding gains or losses. With GASB Statement No. 65, these balances became deferred inflows and or outflows.

## REVENUE BOND COVERAGE[1]
### Last Ten Fiscal Years
(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)*** | | | | | | | |
| 2020 | $ - | $ - | $ - | $ - | $ - | $ - | 0.00 |
| 2019 | - | - | - | - | - | - | 0.00 |
| 2018 | - | - | - | - | - | - | 0.00 |
| 2017 | - | - | - | - | - | - | 0.00 |
| 2016 | 1,566,285 | 1,437,505 | 128,780 | 126,100 | 2,680 | 128,780 | 1.00 |
| 2015 | 1,358,950 | 1,191,461 | 167,489 | 157,220 | 10,269 | 167,489 | 1.00 |
| 2014 | 1,240,588 | 1,073,259 | 167,329 | 147,225 | 20,104 | 167,329 | 1.00 |
| 2013 | 1,204,153 | 1,037,025 | 167,128 | 132,105 | 35,023 | 167,128 | 1.00 |
| 2012 | 1,105,452 | 938,787 | 166,665 | 125,265 | 41,400 | 166,665 | 1.00 |
| 2011 | 1,162,586 | 994,596 | 167,990 | 119,385 | 48,605 | 167,990 | 1.00 |
| ***Enterprise Funds (Excluding Higher Education): State Fair, CollegeInvest, Statewide Bridge Enterprise, and Unemployment Insurance*** [2] | | | | | | | |
| 2020 | $ 112,362 | $ - | $ 112,362 | $ - | $ 17,699 | $ 17,699 | 6.35 |
| 2019 | 111,674 | - | 111,674 | - | 18,234 | 18,234 | 6.12 |
| 2018 | 106,022 | - | 106,022 | - | 18,234 | 18,234 | 5.81 |
| 2017 | 109,927 | - | 109,927 | - | 18,234 | 18,234 | 6.03 |
| 2016 | 231,775 | - | 231,775 | 124,965 | 20,546 | 145,511 | 1.59 |
| 2015 | 363,612 | - | 363,612 | 249,925 | 24,857 | 274,782 | 1.32 |
| 2014 | 486,250 | - | 486,250 | 374,885 | 30,620 | 405,505 | 1.20 |
| 2013 | 608,493 | - | 608,493 | 499,845 | 40,965 | 540,810 | 1.13 |
| 2012 | 240,822 | - | 240,822 | - | 18,234 | 18,234 | 13.21 |
| 2011 | 74,280 | - | 74,280 | - | 8,408 | 8,408 | 8.83 |
| ***Higher Education Institutions*** | | | | | | | |
| 2020 | $ 2,425,323 | $ 673,165 | $ 1,752,158 | $ 186,477 | $ 155,530 | $ 342,007 | 5.12 |
| 2019 | 2,419,403 | 685,793 | 1,733,610 | 132,929 | 159,090 | 292,019 | 5.94 |
| 2018 | 2,290,836 | 643,503 | 1,647,333 | 127,378 | 161,525 | 288,903 | 5.70 |
| 2017 | 2,170,616 | 618,649 | 1,551,967 | 117,118 | 160,835 | 277,953 | 5.58 |
| 2016 | 1,984,082 | 455,553 | 1,528,529 | 103,957 | 157,999 | 261,956 | 5.84 |
| 2015 | 1,250,735 | 579,200 | 671,535 | 107,878 | 152,923 | 260,801 | 2.57 |
| 2014 | 1,170,939 | 557,627 | 613,312 | 94,581 | 138,121 | 232,702 | 2.64 |
| 2013 | 1,122,003 | 537,630 | 584,373 | 80,330 | 131,356 | 211,686 | 2.76 |
| 2012 | 1,093,528 | 507,761 | 585,767 | 69,992 | 114,914 | 184,906 | 3.17 |
| 2011 | 1,025,079 | 487,781 | 537,298 | 64,345 | 110,488 | 174,833 | 3.07 |

[1] Pledged revenues supporting the Governmental Funds TRANs include primarily federal grants under agreement with the Federal Highway Administration (FHWA). Before Fiscal Year 2010, pledged revenue also included a portion of sales and use tax revenues of the General Fund diverted to the Highway Users Tax Fund and the Highway Users Tax Fund revenues. Pledged revenues supporting the Enterprise Funds' borrowings, excluding Higher Education, were primarily student loan repayment amounts at CollegeInvest, which were used to make the required debt service payments. CollegeInvest's loan portfolio was sold in Fiscal Year 2010 and related bonds were sold or redeemed. Pledged revenues supporting Higher Education Institutions' borrowings are primarily auxiliary fees related to student housing and tuition. Pledged revenues supporting Unemployment Insurance bonds are from assessments on employers.

[2] At the close of Fiscal Year 2010, neither CollegeInvest nor State Fair had any outstanding revenue bonds requiring pledged revenues amount to be reported. In Fiscal Year 2012, Unemployment Insurance issued revenue bonds requiring pledged revenues.

# COLORADO DEMOGRAPHIC DATA
## Last Ten Fiscal Years

| Year | Population (000) | Percentage Share of U.S. Population | Total Personal Income (Billions) | Per Capita Personal Income (Dollars) | % of U.S. Per Capita Income | Employment (000) | Unemployment % |
|---|---|---|---|---|---|---|---|
| 2020 est | 5,814 | 1.76% | $ 371.1 | $ 63,834 | 107.6% | 2,895 | 6.6% |
| Revised 2019 | 5,759 | 1.75 | 353.1 | 61,314 | 108.5 | 3,062 | 2.8 |
| Revised 2018 | 5,691 | 1.74 | 332.9 | 58,500 | 107.1 | 2,983 | 3.2 |
| Revised 2017 | 5,612 | 1.73 | 310.8 | 55,374 | 106.2 | 2,903 | 2.8 |
| Revised 2016 | 5,539 | 1.72 | 289.6 | 52,278 | 104.5 | 2,797 | 3.3 |
| Revised 2015 | 5,451 | 1.70 | 284.2 | 52,147 | 106.3 | 2,715 | 3.9 |
| Revised 2014 | 5,350 | 1.68 | 271.3 | 50,711 | 107.7 | 2,662 | 5.0 |
| 2013 | 5,271 | 1.67 | 249.0 | 47,236 | 105.3 | 2,578 | 6.9 |
| 2012 | 5,186 | 1.65 | 236.7 | 45,637 | 102.3 | 2,540 | 7.9 |
| 2011 | 5,118 | 1.64 | 219.9 | 42,955 | 101.0 | 2,507 | 8.4 |

Source: U.S. Department of Commerce, Bureau of Economic Analysis, U.S. Census Bureau, and Colorado Department of Labor and Employment

# COLORADO EMPLOYMENT[1,2]
## BY INDUSTRY
## Last Ten Fiscal Years
(AMOUNTS IN THOUSANDS)

| **Industry** | 2020 est | Revised 2019 | Revised 2018 | Revised 2017 | Revised 2016 | Revised 2015 | Revised 2014 | Revised 2013 | Revised 2012 | Revised 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| Natural Resources and Mining | 28.7 | 28.6 | 28.3 | 25.9 | 23.7 | 30.7 | 34.1 | 30.6 | 30.3 | 27.9 |
| Construction | 180.5 | 177.5 | 172.3 | 163.7 | 155.3 | 148.8 | 142.2 | 127.5 | 115.8 | 112.5 |
| Manufacturing | 151.3 | 149.9 | 147.6 | 144.3 | 142.7 | 141.0 | 136.6 | 132.8 | 130.9 | 128.1 |
| Transportation, Trade, and Utilities | 482.0 | 475.7 | 469.8 | 461.3 | 453.9 | 445.7 | 432.7 | 420.1 | 409.5 | 401.6 |
| Information | 75.0 | 75.5 | 74.9 | 71.9 | 71.9 | 70.7 | 70.3 | 69.9 | 69.8 | 71.4 |
| Financial Activities | 174.7 | 173.0 | 170.5 | 168.1 | 163.9 | 159.0 | 153.9 | 151.0 | 146.7 | 143.9 |
| Professional and Business Services | 453.1 | 441.4 | 425.6 | 412.8 | 405.7 | 398.4 | 386.6 | 372.6 | 356.9 | 341.5 |
| Educational and Health Services | 352.7 | 347.1 | 340.6 | 334.1 | 325.8 | 313.3 | 298.0 | 285.9 | 281.8 | 272.9 |
| Leisure and Hospitality | 347.1 | 343.7 | 339.9 | 333.2 | 323.6 | 312.8 | 300.4 | 289.4 | 279.7 | 271.4 |
| Other Services | 114.4 | 112.7 | 110.8 | 108.6 | 107.3 | 104.2 | 100.9 | 97.7 | 96.0 | 93.7 |
| Government | 456.9 | 451.3 | 445.0 | 436.7 | 428.1 | 416.5 | 407.9 | 403.2 | 394.3 | 392.4 |
| Total | 2,816.4 | 2,776.4 | 2,725.3 | 2,660.6 | 2,601.9 | 2,541.1 | 2,463.6 | 2,380.7 | 2,311.7 | 2,257.3 |

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 because employer data could not be obtained.

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

## VALUE OF TOTAL CONSTRUCTION IN COLORADO BY TYPE
### Last Ten Years
(AMOUNTS IN MILLIONS)

| Year | Residential | Non-Residential | Non-Building | Total |
|---|---|---|---|---|
| 2020 est | $ 9,927 | $ 6,400 | $ 2,800 | $ 19,127 |
| Revised 2019 | 9,542 | 4,700 | 2,800 | 17,042 |
| Revised 2018 | 11,726 | 8,014 | 4,391 | 24,131 |
| Revised 2017 | 10,362 | 6,166 | 2,935 | 19,463 |
| Revised 2016 | 10,179 | 6,000 | 2,706 | 18,884 |
| Revised 2015 | 8,659 | 4,991 | 3,036 | 16,686 |
| Revised 2014 | 7,566 | 4,351 | 2,439 | 14,355 |
| 2013 | 7,089 | 3,610 | 3,680 | 14,379 |
| 2012 | 5,368 | 3,675 | 3,329 | 12,372 |
| 2011 | 3,363 | 3,932 | 2,289 | 9,584 |

Source: Department of Census, F.W. Dodge Company, Division of McGraw-Hill, the Colorado Contractors Assoc., and Colorado Business Economic Outlook Committee.

## COLORADO SALES AND GROSS FARMING REVENUES
### Last Ten Years
(AMOUNTS IN BILLIONS)

| Year | Retail Sales | Gross Farm Revenues |
|---|---|---|
| 2020 est | $ 104.10 | $ 8.91 |
| Revised 2019 | 101.60 | 8.72 |
| Revised 2018 | 96.70 | 8.30 |
| Revised 2017 | 91.70 | 8.25 |
| Revised 2016 | 87.20 | 7.62 |
| Revised 2015 | 83.40 | 8.92 |
| Revised 2014 | 79.50 | 9.18 |
| Revised 2013 | 74.10 | 8.61 |
| 2012 | 70.70 | 8.35 |
| 2011 | 66.70 | 8.49 |

Includes only those sales reported on sales tax reports.

Source: Colorado Business Economic Outlook Agricultural Committee

**DEMAND DRIVERS OF THE PRIMARY GOVERNMENT[1]**
**BY FUNCTIONS/PROGRAMS**
**Last Ten Years[2]**

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| GOVERNMENTAL ACTIVITIES: | | | | | |
| General Government: | | | | | |
| Funds | 901 | 883 | 874 | 848 | 815 |
| Employees (calculated Average Employment) | 79,974 | 78,213 | 76,578 | 74,252 | 72,483 |
| Balance in Treasury Pool (in millions) | $9,358.1 | $9,055.2 | $7,763.2 | $6,852.0 | $7,413.7 |
| Business, Community, and Consumer Affairs: | | | | | |
| Professional Licenses at Regulatory Agencies | 949,632 | 865,914 | 853,163 | 829,350 | 813,639 |
| Unemployment Rate (percent) [4] | 6.7 | 2.8 | 3.3 | 2.7 | 3.2 |
| Employment Level [4] | 2,880,890 | 3,101,412 | 2,994,752 | 2,911,079 | 2,803,436 |
| Education: | | | | | |
| Public Schools | 1,864 | 1,861 | 1,889 | 1,833 | 1,853 |
| Primary School Students | 0 | 913,223 | 911,536 | 910,280 | 905,018 |
| Health and Rehabilitation: | | | | | |
| Average Daily Population of Mental Health Institutes [3] | 709 | 595 | 581 | 543 | 545 |
| Average Daily Population of Regional Centers [3] | 235 | 246 | 261 | 260 | 266 |
| Justice: | | | | | |
| District Court Cases Filed [3] | 233,682 | 216,437 | 218,413 | 225,438 | 216,970 |
| County Court Cases Filed [3] | 413,894 | Not available | 412,714 | 425,947 | 430,398 |
| Inmate Admissions | Not available | Not available | 9,972 | 8,851 | 9,912 |
| Inmate Releases | Not available | Not available | 9,947 | 9,844 | 10,269 |
| Average Daily Inmate Population | Not available | Not available | 20,003 | 20,000 | 20,179 |
| Citations Issued by the State Patrol | Not available | 136,086 | 138,772 | 141,949 | 145,181 |
| Crashes Covered by the State Patrol | Not available | 29,767 | 28,964 | 30,264 | 30,542 |
| Natural Resources: | | | | | |
| Active Oil and Gas Wells [3] | 52,500 | 55,000 | 54,400 | 54,600 | 52,600 |
| Oil and Gas Drilling Permits [3] | 7,000 | 6,200 | 4,460 | 4,620 | 3,725 |
| Annual State Park Visitors [3] | 16,100,000 | 14,300,000 | 14,400,000 | 14,800,000 | 12,300,000 |
| Water Loans | 328 | 326 | 318 | 328 | 312 |
| Social Assistance: | | | | | |
| Medicaid Recipients [3] | 1,292,797 | 1,350,445 | 1,420,267 | 1,385,945 | 1,289,795 |
| Monthly Cases for Cash Assistance & Subsidy Payments [3] | Not available | Not available | Not available | Not available | Not available |
| Transportation: | | | | | |
| Lane Miles | Not Available | Not available | 23,026,130 | 23,053,073 | 22,984,731 |
| Bridges | 3,467 | 3,461 | 3,451 | 3,455 | 3,427 |
| BUSINESS-TYPE ACTIVITIES: | | | | | |
| Higher-Education: | | | | | |
| Resident Students [3] | 143,856 | 147,705 | 146,138 | 142,180 | 145,769 |
| Nonresident Students [3] | 38,218 | 37,952 | 32,884 | 32,884 | 30,869 |
| Unemployment Insurance: | | | | | |
| Individuals Served - Employment and Training [3] | 493,731 | 366,130 | 360,911 | 425,253 | 469,274 |
| Initial Unemployment Claims [3] | 504,839 | 101,599 | 107,471 | 129,887 | 152,658 |
| Lottery: | | | | | |
| Scratch Tickets Sold | 89,295,642 | 85,738,142 | 83,746,578 | 84,041,528 | 87,433,955 |
| Lotto Tickets Sold | 16,791,434 | 28,034,842 | 28,462,945 | 30,609,106 | 27,422,320 |
| Powerball Tickets Sold | 20,647,247 | 35,073,981 | 36,013,750 | 29,860,519 | 47,427,269 |
| Other Lottery Tickets Sold | 50,733,691 | 67,466,124 | 56,312,662 | 54,533,766 | 29,682,863 |
| Wildlife: | | | | | |
| Hunting & Fishing Licenses Sold [3] | 1,800,000 | 1,700,000 | 1,700,000 | 1,700,000 | 1,600,000 |
| College Assist: | | | | | |
| Guaranteed Loans - In State | - | - | - | - | - |
| Guaranteed Loans - Out of State | - | - | - | - | - |

*Data not available.
[1]All amounts are counts except where dollars or percentages are indicated.
[2]Data 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 actuals.
[4]Data represents annual averages of monthly estimates from Department of Labor and Employment statistical information and is not adjusted to actuals.
Source: JBC Budget in Brief and Various State Agencies' Self-Reported Statistical Information.

| 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|
| 719 | 638 | 634 | 626 | 616 |
| 72,369 | 70,823 | 68,898 | 67,871 | 66,691 |
| $7,683.2 | $7,047.8 | $7,106.9 | $6,546.6 | $6,076.2 |
| 789,643 | 750,306 | 729,328 | 705,205 | 703,695 |
| 3.9 | 5.0 | 6.9 | 7.9 | 8.4 |
| 2,719,500 | 2,662,404 | 2,577,556 | 2,539,941 | 2,507,265 |
| 1,836 | 1,824 | 1,823 | 1,806 | 1,786 |
| 899,112 | 889,006 | 876,999 | 863,561 | 854,265 |
| 545 | 486 | 489 | 501 | 511 |
| 272 | 288 | 305 | 302 | 307 |
| 231,188 | 289,965 | 247,696 | 238,766 | 190,531 |
| 446,255 | 493,341 | 505,234 | 541,439 | 562,185 |
| 9,912 | 9,620 | 9,597 | 9,116 | 9,935 |
| 10,269 | 10,506 | 10,506 | 10,657 | 10,161 |
| 20,678 | 20,478 | 20,551 | 22,009 | 22,814 |
| 140,943 | 138,661 | 124,654 | 137,546 | 149,015 |
| 29,572 | 28,292 | 26,600 | 22,324 | 24,878 |
| 52,300 | 50,350 | 47,916 | 45,300 | 45,500 |
| 4,333 | 4,300 | 5,100 | 4,800 | 5,250 |
| 11,699,543 | 11,556,388 | 12,461,261 | 12,651,919 | 12,463,495 |
| 294 | 289 | 277 | 281 | 288 |
| 1,003,612 | 809,452 | 687,473 | 613,148 | 553,407 |
| 63,646 | 65,208 | 65,208 | 66,472 | 63,742 |
| 23,018,184 | 23,018,184 | 23,021,500 | 23,023,800 | 23,023,720 |
| 3,439 | 3,443 | 3,438 | 3,447 | 3,447 |
| 150,073 | 155,748 | 159,206 | 160,944 | 160,160 |
| 29,305 | 28,580 | 27,536 | 26,934 | 26,225 |
| 553,258 | 552,303 | 636,977 | 585,724 | 615,548 |
| 157,161 | 199,007 | 228,634 | 302,418 | 389,769 |
| 89,637,387 | 89,961,317 | 94,109,256 | 99,988,581 | 98,545,733 |
| 29,837,628 | 33,809,181 | 32,561,865 | 33,276,914 | 39,257,585 |
| 29,581,783 | 35,134,907 | 67,690,312 | 64,285,665 | 70,047,258 |
| 50,521,072 | 56,956,625 | 47,690,502 | 65,916,303 | 50,464,834 |
| 2,300,000 | 2,300,000 | 2,315,000 | 2,333,000 | 1,380,000 |
| - | - | - | - | 61,076 |
| - | - | - | - | 4,961 |

**AVERAGE COUNT OF STATE EMPLOYEES BY FUNCTION**
**AND AVERAGE MONTHLY EMPLOYEE SALARY**
**Last Ten Fiscal Years**

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| General Government | 3,437 | 3,340 | 3,320 | 3,238 | 3,102 | 3,005 | 3,092 | 2,958 | 3,042 | 2,991 |
| Business, Community, and Consumer Affairs | 2,696 | 2,723 | 2,741 | 2,756 | 2,451 | 2,441 | 2,482 | 2,420 | 2,404 | 2,458 |
| Education | 48,469 | 47,297 | 45,884 | 43,762 | 42,494 | 42,767 | 41,501 | 40,218 | 39,097 | 38,038 |
| Health and Rehabilitation | 4,232 | 4,117 | 4,147 | 4,122 | 4,023 | 4,007 | 3,990 | 3,931 | 3,953 | 3,965 |
| Justice | 14,601 | 14,380 | 14,192 | 14,076 | 13,974 | 13,760 | 13,416 | 13,123 | 13,149 | 13,093 |
| Natural Resources | 1,678 | 1,626 | 1,611 | 1,619 | 1,623 | 1,599 | 1,579 | 1,586 | 1,597 | 1,579 |
| Social Assistance | 1,794 | 1,711 | 1,672 | 1,661 | 1,810 | 1,766 | 1,731 | 1,633 | 1,605 | 1,579 |
| Transportation | 3,067 | 3,019 | 3,011 | 3,018 | 3,006 | 3,024 | 3,032 | 3,029 | 3,024 | 2,988 |
| TOTAL AVERAGE EMPLOYMENT | 79,974 | 78,213 | 76,578 | 74,252 | 72,483 | 72,369 | 70,823 | 68,898 | 67,871 | 66,691 |
| | | | | | | | | | | |
| TOTAL CLASSIFIED | 30,777 | 30,999 | 31,133 | 31,159 | 31,102 | 31,246 | 31,284 | 31,504 | 32,449 | 32,927 |
| AVERAGE MONTHLY SALARY | $ 5,049 | $ 4,826 | $ 4,650 | $ 4,554 | $ 4,539 | $ 4,502 | $ 4,391 | $ 4,283 | $ 4,314 | $ 4,324 |
| | | | | | | | | | | |
| TOTAL NON-CLASSIFIED | 49,197 | 47,214 | 45,445 | 43,093 | 41,381 | 41,123 | 39,539 | 37,394 | 35,422 | 33,764 |
| AVERAGE MONTHLY SALARY | $ 7,384 | $ 7,181 | $ 6,980 | $ 6,872 | $ 6,691 | $ 6,306 | $ 6,140 | $ 5,953 | $ 5,840 | $ 5,786 |

- 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.

- For each State agency, the average salary For full-time employees was divided into the part-time employee payroll amount to determine the average employee count. average salary was computed as total classified or nonclassified salary divided by related average employee count.

## COLORADO STATE HIGHWAY SYSTEM
## CENTERLINE AND LANE MILES
## LAST TEN FISCAL YEARS

| Mileage Type | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| CenterLine Miles[1] | | | | | | | | | | |
| Urban | 1,500 | 1,502 | 1,510 | 1,510 | 1,523 | 1,523 | 1,385 | 1,385 | 1,385 | 1,389 |
| Rural | 7,575 | 7,575 | 7,578 | 7,578 | 7,580 | 7,580 | 7,718 | 7,720 | 7,720 | 7,720 |
| TOTAL CENTERLINE MILES | 9,075 | 9,077 | 9,088 | 9,088 | 9,103 | 9,103 | 9,103 | 9,105 | 9,105 | 9,109 |
| Percent Change | 0.0% | -0.1% | 0.0% | -0.2% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | -0.4% |
| Lane Miles[2] | | | | | | | | | | |
| Urban | 5,803 | 5,789 | 5,808 | 5,742 | 5,771 | 5,771 | 5,326 | 5,330 | 5,330 | 5,327 |
| Rural | 17,251 | 17,237 | 17,245 | 17,242 | 17,247 | 17,247 | 17,688 | 17,694 | 17,693 | 17,654 |
| TOTAL LANE MILES | 23,054 | 23,026 | 23,053 | 22,984 | 23,018 | 23,018 | 23,014 | 23,024 | 23,023 | 22,981 |
| Percent Change | 0.1% | -0.1% | 0.3% | -0.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.2% | -0.3% |
| Roadways[3] | | | | | | | | | | |
| Percent Rated Good/Fair | Unavailable | 80 | 79 | 79 | 79 | 79 | 79 | 47 | 48 | 48 |
| Percent Rated Poor | Unavailable | 20 | 21 | 21 | 21 | 21 | 21 | 53 | 52 | 52 |
| TOTAL PERCENTAGE | 0 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

[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 therfore a better indicator of actual maintentance requirements.
[3]In 2013 CDOT changed the overall metric by which pavement condition is measured. The new measure is based on Driveability Life, which identifies how long a pavement will last until the user experience becomes unacceptable.
Source: Department of Transportation

## COLORADO STATE-OWNED BRIDGES
## BY FUNCTIONAL CLASSIFICATION
## LAST TEN FISCAL YEARS

| Functional Classification | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| Principal Arterial[1] | 1,408 | 1,404 | 1,387 | 1,390 | 1,372 | 1,377 | 1,114 | 1,294 | 1,303 | 1,299 |
| Other Principal Arterial | 927 | 924 | 932 | 931 | 930 | 930 | 1,199 | 793 | 791 | 785 |
| Minor Arterial | 669 | 668 | 670 | 670 | 666 | 667 | 667 | 747 | 749 | 752 |
| Collector | 375 | 377 | 383 | 387 | 383 | 390 | 391 | 443 | 442 | 446 |
| Local | 88 | 88 | 79 | 77 | 76 | 75 | 72 | 161 | 162 | 165 |
| TOTAL BRIDGES | 3,467 | 3,461 | 3,451 | 3,455 | 3,427 | 3,439 | 3,443 | 3,438 | 3,447 | 3,447 |
| Percent Change | 0.2% | 0.3% | -0.1% | 0.8% | -0.3% | -0.1% | 0.1% | -0.3% | 0.0% | 0.0% |
| Percent Rated Poor[2] | 6.27 | 6.32 | 4.42 | 4.90 | 5.60 | 5.60 | 5.70 | 5.90 | 3.60 | 5.53 |

[1]Includes Interstate, Expressways, and Freeways.
[2]In 2013 CDOT changed the overall metric for assessing bridges due to Public Law 112-141. The focus is now on Structurally Deficient bridges.

Source: Department of Transportation

## BUILDING SQUARE FOOTAGE
## OWNED BY THE PRIMARY GOVERNMENT
## BY FUNCTIONS/PROGRAMS

### Last Ten Years

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| GOVERNMENTAL ACTIVITIES: | | | | | | | | | | |
| General Government | 4,221,513 | 3,732,465 | 3,975,641 | 4,110,351 | 4,091,577 | 3,630,949 | 3,898,443 | 3,449,893 | 3,197,325 | 3,069,547 |
| Business, Community, and Consumer Affairs[1] | 1,277,114 | 1,278,223 | 1,253,288 | 1,253,288 | 1,117,563 | 1,260,223 | 1,462,694 | 1,091,423 | 980,198 | 980,198 |
| Education | 322,484 | 322,484 | 322,484 | 322,484 | 322,484 | 322,484 | 327,394 | 327,394 | 327,394 | 326,602 |
| Health and Rehabilitation | 1,453,385 | 1,463,209 | 1,463,209 | 1,463,129 | 1,443,140 | 1,439,483 | 1,371,986 | 1,407,882 | 1,522,278 | 1,476,587 |
| Justice | 8,815,718 | 8,880,526 | 8,852,530 | 8,763,302 | 8,743,419 | 8,633,069 | 8,797,346 | 8,170,861 | 8,428,687 | 8,404,174 |
| Natural Resources | 865,529 | 915,362 | 788,919 | 775,567 | 754,116 | 677,422 | 454,150 | 457,366 | 321,373 | 1,729,810 |
| Social Assistance | 1,799,516 | 1,833,377 | 1,834,497 | 1,834,815 | 1,828,335 | 1,821,873 | 1,794,333 | 1,791,521 | 1,787,266 | 1,836,385 |
| Transportation | 3,681,410 | 4,445,286 | 4,057,721 | 3,450,675 | 3,652,382 | 3,589,835 | 3,373,967 | 3,362,781 | 3,278,758 | 3,207,047 |
| BUSINESS-TYPE ACTIVITIES: | | | | | | | | | | |
| Higher Education | 56,459,587 | 56,142,470 | 55,616,419 | 55,858,696 | 54,075,080 | 52,070,593 | 50,215,173 | 49,016,072 | 48,013,242 | 47,701,898 |
| Parks and Wildlife | 1,998,305 | 1,926,202 | 2,887,423 | 2,811,609 | 2,811,609 | 2,811,609 | 2,811,609 | 2,811,609 | 2,811,609 | 1,131,841 |
| TOTAL | 80,894,561 | 80,939,604 | 81,052,131 | 80,643,916 | 78,839,705 | 76,257,540 | 74,507,095 | 71,886,802 | 70,668,130 | 69,864,089 |

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 Ten Years

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| GOVERNMENTAL ACTIVITIES: | | | | | | | | | | |
| General Government | 164,104 | 162,801 | 175,427 | 153,470 | 153,470 | 161,533 | 169,970 | 200,900 | 226,201 | 210,576 |
| Business, Community, and Consumer Affairs[1] | 612,459 | 632,311 | 635,899 | 640,803 | 623,742 | 597,583 | 604,185 | 597,182 | 575,591 | 585,944 |
| Education | 54,037 | 56,831 | 54,765 | 58,819 | 53,827 | 51,749 | 47,926 | 47,645 | 39,804 | 31,999 |
| Health and Rehabilitation | 508,207 | 478,241 | 470,748 | 477,717 | 473,440 | 498,721 | 475,010 | 473,230 | 465,649 | 458,959 |
| Justice | 617,670 | 567,155 | 473,032 | 525,493 | 453,320 | 343,665 | 412,286 | 310,551 | 321,920 | 463,506 |
| Natural Resources | 80,107 | 77,831 | 79,055 | 78,909 | 74,016 | 75,134 | 91,162 | 78,937 | 73,375 | 81,926 |
| Social Assistance | 103,706 | 103,706 | 96,465 | 99,256 | 99,256 | 110,867 | 74,451 | 61,001 | 51,404 | 56,881 |
| BUSINESS-TYPE ACTIVITIES: | | | | | | | | | | |
| Higher Education | 1,506,511 | 1,506,925 | 1,436,583 | 1,404,972 | 1,309,490 | 1,303,315 | 1,613,516 | 1,530,285 | 1,536,160 | 1,358,597 |
| CollegeInvest | 9,126 | 9,126 | 9,126 | 9,164 | 9,597 | 9,642 | 11,397 | 11,397 | 7,517 | 8,544 |
| Lottery | 67,327 | 67,327 | 67,327 | 67,327 | 67,327 | 71,104 | 71,104 | 71,104 | 74,104 | 66,684 |
| Parks and Wildlife | 22,969 | 23,635 | 70,058 | 83,036 | 76,448 | 76,448 | 76,448 | 76,448 | 79,112 | 73,064 |
| College Assist | 9,126 | 9,126 | 9,126 | 9,396 | 10,164 | 10,246 | 8,825 | 8,825 | 8,825 | 10,139 |
| TOTAL | 3,755,349 | 3,695,015 | 3,577,611 | 3,608,362 | 3,404,097 | 3,310,007 | 3,656,280 | 3,467,505 | 3,459,662 | 3,406,819 |

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 Pet –** Shelter and Rescue Dog and Cat

**State Songs** – "Where the Columbines 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 Amphibian** – Western Tiger Salamander

**State Rock** – Yule Marble

**State Tree** – Colorado Blue Spruce

**State Cactus** – Claret Cup

COLORADO

Office of the State Controller

Department of Personnel & Administration

# APPENDIX B
# Forms of Master Indenture, 2021A Supplemental Indenture, 2021A Lease and 2021 Site Lease

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After recording return to:
Michael R. McGinnis
Greenberg Traurig, LLP
1200 17th Street, Suite 2400
Denver, Colorado 80202

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**STATE OF COLORADO**
**RURAL COLORADO**
**MASTER TRUST INDENTURE**

by

**ZB, NATIONAL ASSOCIATION DBA ZIONS BANK,**
as Trustee

authorizing

State of Colorado
Rural Colorado
Certificates of Participation

Dated as of September 1, 2018

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TABLE OF CONTENTS

**STATE OF COLORADO**
**RURAL COLORADO**
**MASTER TRUST INDENTURE**

This State of Colorado Rural Colorado Master Trust Indenture (this "Master Indenture") is dated as of September 1, 2018, and is executed and delivered by ZB, National Association dba Zions 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) 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);

(e) 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

(f) 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.

**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 accordance with the Act. 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 and allocation by the Transportation Commission, in their respective 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, or any other document or instrument shall be construed or interpreted (i) to directly or indirectly obligate the State or CDOT to make any payment in any Fiscal Year in excess of amounts appropriated by the Colorado General Assembly and CDOT for Rent for such Fiscal Year; (ii) as creating a multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the State within the meaning of Section 3 of Article XI, Section 20 of Article X of the State Constitution or any other limitation or provision of the State Constitution, State statutes or other State law; (iii) as a delegation of governmental powers by the State; (iv) as a loan or pledge of the credit or faith of the State or as creating any responsibility by the State for any debt or liability of any person, company or corporation within the meaning of Section 1 of Article XI of the State Constitution; or (v) as a donation or grant by the State to, or in aid of, any person, company or corporation within the meaning of Section 2 of Article XI of the State Constitution.

(c) The provisions of this Section are hereby expressly incorporated into each Supplemental Indenture. The Certificates shall contain statements substantially in the form of subsections (a) and (b) of this Section.

**Section 1.05 Certificates Constitute a Contract**. The Certificates shall constitute a contract between the Trustee and the Owners. In no event shall any decision by the Colorado General Assembly not to appropriate any amounts payable under a Lease be construed to constitute an action impairing such contract.

## ARTICLE II
## AUTHORIZATION, TERMS, EXECUTION AND DELIVERY OF CERTIFICATES

**Section 2.01 Authorization, Name and Amount**. No Certificates may be executed and delivered hereunder except in accordance with this Article. The Certificates may be issued in one or more Series. Each Series of Certificates shall be named State of Colorado Rural Colorado Certificates of Participation, 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 offices of the Trustee, the address of which is set forth in Section 9.09 hereof. 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 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 all Leased Property, including any Leased Property with respect to such Series of Certificates to be issued pursuant to the Supplemental Indenture, is at least equal to 90% of the principal amount of all Outstanding Certificates and the Series of Certificates to be issued, and (ii) no Event of Default or Event of Nonappropriation exists under any Lease.

(e) 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 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.

(f) 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.

## ARTICLE III
## FUNDS AND ACCOUNTS SECTION

**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 Rural Colorado Certificates of Participation Certificate Fund (the "Certificate Fund") and, within such fund, the Interest Account; Principal Account; and the Purchase Option Account, and the Sinking Fund Account.

(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 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) except as otherwise provided in clause (A) 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

(C) 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; and

(B) 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 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 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 Rural Colorado Capital Construction Fund (the "Capital Construction Fund"), and, within such fund, the Costs of Issuance Account, the State Building Project Account, and the Transportation Project Account. 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.

(ii) *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.

(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 in writing 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 in writing 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 the State Building Project Account shall be disbursed to the State to pay, or reimburse it for, costs of State Building Projects for which such State Building Project Account was established upon receipt of a requisition in substantially the applicable form attached hereto as Appendix A, signed by the State Representative.

(ii) Moneys held in the Transportation Project Account shall be disbursed to CDOT to pay, or reimburse it for, costs of Transportation Projects for which such Transportation Project Account was established upon receipt of a requisition in substantially the applicable form attached hereto as Appendix A, signed by the CDOT Representative.

**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 as the State of Colorado Rural Colorado 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) 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; and (iii) 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 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 Certificates, the Leases, the Indenture, the Site Leases, 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; and (C) make a deposit to the Certificate Fund, the Capital Construction Fund, the Rebate Fund or any account or subaccount of any such fund.

(ii) Notwithstanding the foregoing, 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 Rural Colorado 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 appropriate Internal Revenue Service Center. 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 Rebate Fund shall be deposited as provided in Section 3.04 hereof.

(ii) 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, 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, 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, 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, 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.

**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. 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:

(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 the State of a Site Lease**. Upon a material breach by the State 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 State 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 the State 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 the State of a Site Lease shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Trustee and 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 the State 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 the State 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 the State 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 the State 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 the State 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 State's purchase options set forth in the Leases), 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 8.05 of the 2018A 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) *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.

(ii) *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.

(iii) *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;

(g) to effect or facilitate any change to avoid an Adverse Tax 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;

(h) 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

(i) 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;
>
> (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 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 shall be payable solely from the Trust Estate.

**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: COO/CFO, facsimile number: 303-866-2123, electronic mail address: Charles.scheibe@state.co.us, with a copy to Colorado State Controller, 633 Seventeenth Street, Suite 1500, Denver, Colorado 80203, Attention: Robert Jaros, facsimile number: 303-866-4233, electronic mail address: bob.jaros@state.co.us; if to CDOT, to CFO, facsimile number: 303-757-9656, electronic mail address: Jeffrey.sudmeier@state.co.us; and if to the Trustee, to ZB, National Association dba Zions Bank, 1001 Seventeenth Street, Suite 850, Denver, Colorado 80202, Attention: Corporate Trust Services, facsimile number: 855-547-6178, electronic mail address: denvercorporatetrust@zionsbancorp.com. 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 2018A Lease is set forth in Appendix B to the Series 2018A Supplemental Indenture. As additional Leased Property is leased pursuant to a Lease other than the 2018A 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.

IN WITNESS WHEREOF, the Trustee has executed this Master Indenture as of the date first above written.

ZB, NATIONAL ASSOCIATION DBA
ZIONS BANK, as Trustee

By ___________________________________
Authorized Signatory

STATE OF COLORADO )
) ss.
CITY AND COUNTY OF DENVER )

The foregoing instrument was acknowledged before me this ___ day of September, 2018, by Stephanie Nicholls as an authorized signatory of ZB, National Association dba Zions Bank.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[SEAL]

_____________________________________
Notary Public

My commission expires:

_____________________________________

## APPENDIX A

## FORM OF STATE BUILDING PROJECT ACCOUNT REQUISITION

ZB, National Association dba Zions Bank
1001 Seventeenth Street, Suite 1050
Denver, Colorado 80202
Attention: Corporate Trust Services

**State of Colorado**
**Rural Colorado**
**Master Trust Indenture**
**dated as of September 1, 2018**

Ladies and Gentlemen:

This State Building Project Account Requisition is delivered by the State of Colorado, acting by and through the State Treasurer (the "State"), to ZB, National Association dba Zions Bank in its capacity as trustee (the "Trustee") under the State of Colorado Rural Colorado Master Trust Indenture dated as of September 1, 2018, as it may be supplemented or amended from time-to-time by a Supplemental Indenture or otherwise (the "Indenture"). Capitalized terms used but not defined herein have the meanings assigned to them in the Indenture.

The State, in accordance with the Indenture, hereby requisitions the dollar amount described below from the State Building Project Account identified below to pay, or reimburse the State for the payment of costs of the State Building Project for which such State Building Project Account was established.

The State represents that:

1. If this Requisition is the first requisition for a withdrawal from the State Building 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 State, 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 Leased Property or (b) the amount resulting from multiplying (i) the principal amount of the Series of Certificates from which proceeds have been deposited into the State Building Project Account and the Transportation Project Account, *times* (ii) a fraction, (A) the numerator of which is the amount of proceeds of such Series of Certificates and Allocated Investment Earnings deposited into the State Building Project Account and the Transportation Project Account and (B) the denominator of which is the total amount of proceeds of such Series of Certificates deposited into all Project Accounts.

2. The total amount withdrawn from the State Building 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 the State Building Project Account pursuant to the Indenture.

3. No Event of Default or Event of Nonappropriation has occurred and is continuing under any Lease.

PROJECT ACCOUNT CERTIFICATE SERIES: ___________________________________

TOTAL DOLLAR AMOUNT REQUESTED PURSUANT TO THIS REQUISITION:

___________________________________________________________________________

The undersigned hereby certifies that he/she is the State Representative and is authorized to sign and deliver this Requisition to the Trustee pursuant to the Indenture.

STATE OF COLORADO, ACTING BY AND THROUGH THE STATE TREASURER

By ___________________________________
[Title]

Date: ________________________________

**FORM OF TRANSPORTION PROJECT ACCOUNT REQUISITION**

ZB, National Association dba Zions Bank
1001 Seventeenth Street, Suite 1050
Denver, Colorado 80202
Attention: Corporate Trust Services

**State of Colorado**
**Rural Colorado**
**Master Trust Indenture**
**dated as of September 1, 2018**

Ladies and Gentlemen:

This Transportation Project Account Requisition is delivered by the Colorado Department of Transportation ("CDOT"), acting by and through the State Treasurer (the "State"), to ZB, National Association Zions Bank in its capacity as trustee (the "Trustee") under the State of Colorado Rural Colorado Master Trust Indenture dated as of September 1, 2018, as it may be supplemented or amended from time-to-time by a Supplemental Indenture or otherwise (the "Indenture"). Capitalized terms used but not defined herein have the meanings assigned to them in the Indenture.

CDOT, in accordance with the Indenture, hereby requisitions the dollar amount described below from the Transportation Project Account identified below to pay, or reimburse it for the payment of, costs of the Transportation Projects for which such Transportation Project Account was established.

CDOT represents that:

1. If this Requisition is the first requisition for a withdrawal from the Transportation 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 State, 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 Leased Property or (b) the amount resulting from multiplying (i) the principal amount of the Series of Certificates from which proceeds have been deposited into the Transportation Project Account and the State Building Project Account, *times* (ii) a fraction, (A) the numerator of which is the amount of proceeds of such Series of Certificates deposited into the Transportation Project Account and the State Building Project Account and (B) the denominator of which is the total amount of proceeds of such Series of Certificates

deposited into all Project Accounts.

2. The total amount withdrawn from the Transportation Project Account pursuant to this Requisition and all previous requisitions does not exceed the amount of proceeds of Certificates deposited into the Transportation Project Account pursuant to the Indenture.

3. No Event of Default or Event of Nonappropriation has occurred and is continuing under any Lease.

PROJECT ACCOUNT CERTIFICATE SERIES: ____________________________________

TOTAL DOLLAR AMOUNT REQUESTED PURSUANT TO THIS REQUISITION:

____________________________________________________________________________

The undersigned hereby certifies that he/she is the CDOT Representative and is authorized to sign and deliver this Requisition to the Trustee pursuant to the Indenture.

COLORADO DEPARTMENT OF TRANSPORTATION:

By ___________________________________
[Title]

Date: ________________________________

## APPENDIX B

## GLOSSARY

"*Act*" means part 13 of article 82 of title 24, 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 the 2018A Lease, the costs and expenses incurred by the State in performing its obligations under the 2018A 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 the State pursuant to any other Lease, similar costs and expenses.

"*Adverse Tax Event*" means an event that would cause interest on any of the Certificates 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).

"*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.

"*Authorized Denominations*" means, with respect to any Series of Certificates, the denominations specified in the Supplemental Indenture authorizing such Series of Certificates.

"*Base Rent*" means the amounts designated and paid as Base Rent under a Lease.

"*Base Rent Payment Date*" means, one of the dates in the "Base Rent Payment Date" column in the Exhibit to such Lease that includes the schedule for payment of Base Rent payable pursuant to such Lease.

"*Bond Counsel*" means (a) as of the date of execution and delivery of the Series 2018A Certificates, Greenberg Traurig, LLP, and (b) as of any other date, Greenberg Traurig, LLP or such other attorneys selected by the State with nationally recognized expertise in the issuance of municipal securities.

"*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.

"*CDOT*" means the Colorado Department of Transportation.

"*CDOT Representative*" means the Chief Financial Officer of CDOT.

"*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.

"*Code*" means the Internal Revenue Code of 1986, as amended, and regulations thereunder.

"*Costs of Issuance*" means costs incurred in connection with the preparation, negotiation, execution and delivery of any Site Lease, Lease, 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 prior to the last Completion Date for a Project that is financed with the proceeds of such Certificates, 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.

"*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, Note s and Bonds, including State and Local Government Series ("SLGs");

(c) direct obligations of the U.S. Tr easury which have been stripped by the Treasury itself, including 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 ra ted "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 which are backed by the full faith and credit of the United States are pledged for the payment of principal and interest:

(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.

"*Event of Default*" means (a) when the term is used in the 2018A Lease or is used to refer to an event occurring under the 2018A Lease, an event described in Section 10.01 of the 2018A Lease; (b) when the term is used in a Site Lease with respect to Leased Property subject to the 2018A 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; (c) when the term is used in any other Lease, Site Lease or is used to refer to an event occurring under any other Lease or the Site Lease, any event similar to an event described in clause (a) or (b) of this definition; and (d) when the term is used in the Indenture, an Event of Default under the 2018A Lease or any other Lease.

"*Event of Nonappropriation*" means (a) when the term is used in the 2018A Lease or is used to refer to an event occurring under the 2018A Lease, an event described in Section 4.04(b) of the 2018A Lease; (b) when the term is used in any other Lease or is used to refer to an event occurring under any other Lease, any similar event; and (c) when the term is used in the Indenture, an Event of Nonappropriation under the 2018A Lease or any other Lease.

"*Failure to Perform*" is defined in Section 7.03 of the Master Indenture.

"*Fair Market Value*" means:

(a) the value of the land included in the Leased Property as estimated by the State in the Site Lease pursuant to which such property is leased to the Trustee, *plus* the replacement value of such property determined by an insurer providing casualty and property damage for such property;

(b) with respect to other property, the price at which a willing seller would sell and a willing buyer would buy property in an arm's length transaction; and

(c) if Fair Market Value is being determined for a portion of the property for which a value is determined pursuant to clauses (a) and/or (b), the State's determination as to the amount of the value determined pursuant to clauses (a) and/or (b) 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.

"*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.

"*General Assembly*" means the State of Colorado General Assembly.

"*Glossary*" means this Glossary as it may be amended, supplemented or restated from time to time.

"*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, the period commencing on the date the Lease is executed and delivered (unless a different commencement date is specifically set forth in such Lease) 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 Payment Date*" means, with respect to the Series 2018A Certificates, unless this definition is amended at or prior to the execution and delivery of such other Certificates, June 15 and December 15, commencing June 15, 2019.

"*Land*" means (a) with respect to the land included in the Leased Property subject to the 2018A Lease, the land described in exhibits to the 2018A Site Lease and the 2018A Lease, subject to the terms of the 2018A Site Lease and the 2018A Lease relating to modifications and substitutions of Leased Property; and (b) with respect to the land included in the Leased Property subject to any other Lease or Site Lease, the land described in the such Lease or Site Lease on the date such Lease or Site Lease is executed and delivered, subject to the terms of such Lease or Site Lease relating to modifications and substitutions of Leased Property.

"*Lease*" means the 2018A Lease and any other lease purchase agreement entered into by the State pursuant to the Act and in connection with a Supplemental Indenture, revenues from which are to be used to pay principal of, premium, if any, and interest on Certificates.

"*Lease Revenues*" means, (a) with respect to the 2018A Lease (i) the Base Rent; (ii) 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); (iii) 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 (iv) 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 Term*" means the period of time during which a Lease is in force and effect, as set forth in Section 3.01 of the 2018A Lease and any similar provision of any other 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 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 State to the Trustee pursuant to such Site Lease; (c) when the term is used together with a possessive reference to a particular Site, 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 by such State under a Site Lease; and (d) 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 Rural Colorado Master Trust Indenture dated as of September 1, 2018 by the Trustee, as it may be supplemented and amended from time-to-time by a Supplemental Indenture or otherwise.

"*Moody's*" means Moody's Investor Service, Inc. 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 shal l 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.

"*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 6.02(b) of the 2018A Lease or any similar provision of any other Lease; (b) the Leases, the Indenture, and the Site Leases; (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 6.03 of the 2018A Lease or any similar provision of any other Lease; (d) any financing statements filed with respect to the Trustee's interest in the Leased Property, the Leases, or the Site Leases; (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; and (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 materially impair title to the Leased Property.

"*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.

"*Projects*" means, collectively the State Building Projects and the Transportation Projects.

"*Project Accounts*" means, collectively, the State Building Project Account and the Transportation Project Account.

"*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.

"*Purchase Option Account*" means the special account of the Certificate Fund established and designated as such by Section 3.01 of the Master Indenture.

"*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 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.

"*Renewal Term*" means, with respect to each Lease, each twelve-month period, commencing on July 1 of each year and ending on June 30 of such year, for which the State renews a Lease Term after the Initial Term of such Lease.

"*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 S&P Global Ratings, 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 (a) in the case of the 2018A Lease, the date described in Section 3.01(b)(í) of the 2018A Lease and (b) in the case of any other Lease, the date described in any similar provisions of that Lease.

"*Scheduled Site Lease Term*" means the period that begins on the first day of the Site

Lease Term of a Site Lease and ends on (a) in the case of a Site Lease pursuant to which Leased Property is leased to the Trustee that is leased by the State pursuant to the 2018A Lease, the date described in Section 3.01(a)(i) of such Site Lease and (b) in the case of any other Site Lease, the date described in any similar provision of that Site Lease.

"*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 2018A Certificates*" means the Series of Certificates authorized by the Series 2018A Supplemental Indenture.

"*Series 2018A Sinking Fund Account*" means the Sinking Fund Account created for the payment of the Series 2018A Certificates by Section 3.01 of the Master Indenture.

"*Series 2018A Sinking Fund Principal*" means the payments of Base Rent by the State pursuant to the 2018A Lease that are designated and paid as Series 2018A Sinking Fund Principal under the 2018A Lease.

"*Series 2018A Supplemental Indenture*" means the State of Colorado Rural Colorado Series 2018A Supplemental Trust Indenture dated as of September 1, 2018 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 Certificates for which it is established.

"*Sinking Fund Principal*" means the payments of Base Rent by the State that are designated in the Lease as [Series year, letter and number] Sinking Fund Principal under such Lease.

"*Site Lease*" means a site lease pursuant to which the State has leased Leased Property to the Trustee, as amended or supplemented from time-to-time, including the 2018A Site Lease.

"*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 each of the Site Leases with respect to the Leased Property that is subject to the 2018A Lease and any similar provision of any other 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.

"*State*" means (a) when used with respect to a party to a Lease or any other document, the State of Colorado, acting by and through the State Treasurer; and (b) when used in any other context, the State of Colorado including CDOT and all other departments and agencies of the State.

"*State Building Project*" means a capital construction project as described in Section 24-82-1303(4)(a) C.R.S., as amended.

"*State Building Project Account*" means an account of the Capital Construction Fund that is to be used to fund a State Building Project.

"*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, and the Site Leases.

"*State's Purchase Option Price*" means (a) when the term is used to refer to the State's Purchase Option Price under the 2018A Lease, the amount that the State must pay to purchase the interest of the Trustee in all the Leased Property subject to the 2018A Lease pursuant to Section 7.01 of the 2018A Lease; and (b) when the term is used to refer to the State's Purchase Option Price under any other Lease, the amount that the State must pay to purchase the interest of the Trustee all the Leased Property subject to such Lease or a portion of the Leased Property subject to such Lease, as applicable, pursuant to any similar provision(s) of that Lease.

"*Supplemental Indenture*" means any indenture supplementing or amending the Indenture that is adopted pursuant to Article VIII of the Master Indenture.

"*Transportation Commission*" means the State of Colorado Transportation Commission created by Section 43-1-106, C.R.S.

"*Transportation Project*" means a highway construction project as described in Section 24-82-1303(4)(b), C.R.S., and Section 43-3-206(1)(b)(v), C.R.S.

"*Transportation Project Account*" means an account of the Capital Construction Fund that is to be used to fund a Transportation Project.

"*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 ZB, National Association dba Zions 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, and the Site Leases 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.

"*2018A Lease*" means the State of Colorado Rural Colorado Series 2018A Lease Purchase Agreement dated as of September 1, 2018 between the Trustee and the State, as amended or supplemented from time to time.

"*2018A Leased Property*" means the Leased Property subject to the 2018A Lease and the 2018A Site Lease.

"*2018A Projects*" means the Projects financed with proceeds of the Series 2018A Certificates.

"*2018A Site Lease*" means the Site Lease between the Trustee and the State dated as of September 1, 2018, as amended or supplemented from time to time.

**STATE OF COLORADO**
**RURAL COLORADO**
**SERIES 2021A SUPPLEMENTAL TRUST INDENTURE**

by

**ZIONS BANCORPORATION, NATIONAL ASSOCIATION**
as Trustee

authorizing

**State of Colorado**
**Rural Colorado**
**Certificates of Participation**
**Series 2021A**

Dated as of May 1, 2021

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**STATE OF COLORADO**
**RURAL COLORADO**
**SERIES 2021A SUPPLEMENTAL TRUST INDENTURE**

This State of Colorado Rural Colorado Series 2021A Supplemental Trust Indenture (this "Series 2021A Supplemental Indenture") is dated as of May 1, 2021, and is executed and delivered by, Zions Bancorporation, National Association, 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 Rural Colorado Master Trust Indenture dated as of September 1, 2018, as such Glossary 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 2021A Supplemental Indenture is a Supplemental Indenture and is being executed to provide additional terms applicable to the Series 2021A Certificates.

AGREEMENT

The Trustee hereby declares for the benefit of the Owners as follows:

## ARTICLE I
## SERIES 2021A 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 2021A Supplemental Indenture: State of Colorado Rural Colorado Certificates of Participation, Series 2021A.

**Section 1.02. Principal Amounts, Dated Dates, Maturity Dates and Interest**.

(a) The aggregate principal amount of the Series 2021A Certificates shall not exceed $500,000,000.

(b) The Authorized Denominations of the Series 2021A Certificates are $5,000 and any integral multiple thereof.

(c) The Series 2021A Certificates executed and delivered on the date the Series 2021A 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 2021A Certificate executed and delivered upon transfer and exchange of another Series 2021A 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 2021A 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 2021A Certificate shall bear interest from the date the Series 2021A Certificates are first executed and delivered.

(d) Interest on the Series 2021A Certificates shall be calculated based on a 360-day year consisting of twelve 30-day months.

(e) The Series 2021A Certificates shall mature on the dates and in the principal amounts, and shall bear interest at the per annum rates, set forth below:

| **Maturity Dates (December 15)** | **Principal Amount** | **Interest Rate** |
|---|---|---|
| 2021 | | |
| 2022 | | |
| 2023 | | |
| 2024 | | |
| 2025 | | |
| 2026 | | |
| 2027 | | |
| 2028 | | |
| 2029 | | |
| 2030 | | |
| 2031 | | |
| 2032 | | |
| 2033 | | |
| 2034 | | |
| 2035 | | |
| 2036 | | |
| 2037 | | |
| 2038 | | |
| 2039 | | |

**Section 1.03. Redemption**.

(a) ***Extraordinary Redemption Upon Occurrence of Event of Nonappropriation or Event of Default***. The Series 2021A 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 2021A 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 2021A 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 2021A 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. **The payment of the redemption price of any Series 2021A 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 2021A Certificate and such other Certificate, and no Owner of any such Series 2021A 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, promptly upon the occurrence of an Event of Nonappropriation or an Event of Default under any Lease, notify the Owners of the Series 2021A 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 2021A 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 2021A Certificates and other Certificates that are subject to redemption, the Trustee shall (aa) promptly 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, promptly 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) ***Optional Redemption***. The Series 2021A Certificates are subject to redemption at the option of the State, in whole or in part and if in part in Authorized Denominations from the remaining maturities bearing interest at the same interest rate designated by the State and by lot within any remaining maturity bearing interest at the same interest rate designated for redemption, on any date on and after December 15, 2030, at a redemption price equal to the principal amount of the Series 2021A Certificates to be redeemed (with no premium), plus accrued interest to the redemption date.

**Section 1.04. Form of Certificates**. The Series 2021A 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 2021A Supplemental Indenture and is incorporated herein as if set forth in full in the body hereof.

## ARTICLE II
## SEPARATE ACCOUNTS AND SUBACCOUNTS

**Section 2.01. Creation of Separate Accounts and Subaccounts**. The Trustee shall create separate accounts and subaccounts in the funds and accounts described below in order to account for the Lease Revenues paid with respect to the Series 2021A Certificates, the proceeds of the Series 2021A 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 2021A designation. The following are the separate accounts and subaccounts to be created:

(a) a separate subaccount of the Transportation Project Account;

(b) separate accounts of the State Expense Fund and the Rebate Fund; and

(c) separate subaccounts of the Interest Account, the Principal Account, the Purchase Option Account and the Costs of Issuance Account.

**Section 2.02. Additional Subaccounts**. To the extent any proceeds of the Series 2021A Certificates are to be used for State Building Projects, the Trustee shall create a separate subaccount of the State Building Project Account for such proceeds. In order to account for Lease Revenues paid by the State and paid by CDOT, the Trustee may establish subaccounts within the subaccount of the Interest Account for the Series 2021A Certificates and the subaccount of the Principal Account for the Series 2021A Certificates.

## ARTICLE III
## 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 2021A Supplemental Indenture as if set forth in full herein.

## ARTICLE IV
## MISCELLANEOUS

**Section 4.01. Titles, Headings, Etc**. The titles and headings of the articles, sections and subdivisions of this Series 2021A 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 4.02. Interpretation and Construction**. This Series 2021A 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 2021A Supplemental Indenture.

For purposes of this Series 2021A Supplemental Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Series 2021A 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 2021A Supplemental Indenture. The words "herein," "hereof," "hereto," "hereby," "hereunder" and other words of similar import refer to this Series 2021A Supplemental Indenture as a whole and not to any particular Article, Section or other subdivision.

(b) 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.

(c) The term "money" includes any cash, check, deposit, investment security or other form in which any of the foregoing are held hereunder.

(d) 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 4.03. Legal Description of Land Included in Leased Property**. The legal description of the land included in the Leased Property subject to the 2021A Lease is set forth in Appendix B hereto. If the land included in the Leased Property subject to the 2021A Lease is modified pursuant to the terms of the 2021A Lease or other land is substituted for land included in the Leased Property subject to the 2021A Lease pursuant to the terms of the 2021A Lease, the legal description set forth in Appendix B hereto will be amended to describe the land included in the Leased Property subject to the 2021A Lease after such modification or substitution.

**Section 4.04. Execution in Counterparts**. This Series 2021A 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 4.05. Incorporation of Provisions of Master Indenture**. This Series 2021A Supplemental Indenture shall form a part of the Master Indenture and all the terms contained herein shall be deemed to be a part of the Master Indenture and all terms of the Master Indenture shall be deemed to be a part of this Series 2021A Supplemental Indenture.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Trustee has executed this Series 2021A Supplemental Indenture as of the date first above written.

ZIONS BANCORPORATION, NATIONAL ASSOCIATION, as Trustee

By ______________________________
Vice President – Zions Bank Division

STATE OF COLORADO )
) ss.
CITY AND COUNTY OF DENVER )

The foregoing instrument was acknowledged before me this ___ day of May, 2021 by [Stephanie Nicholls], as an authorized signatory of Zions Bancorporation, National Association.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[SEAL]

______________________________
Notary Public

My commission expires: July 31, 2021

______________________________

## APPENDIX A

## FORM OF SERIES 2021A 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-1 $_____________

**STATE OF COLORADO**
**RURAL COLORADO**
**CERTIFICATE OF PARTICIPATION**
**SERIES 2021A**

| Interest Rate | Maturity Date | Delivery Date | CUSIP |
|---|---|---|---|
| % | December 15, 20__ | May __, 2021 | 196711 ___ |

REGISTERED OWNER: **CEDE & CO.**

PRINCIPAL SUM: **___________________________________________________**

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 Rural Colorado Series 2018A Lease Purchase Agreement dated September 1, 2018, the State of Colorado Rural Colorado Series 2021A Lease Purchase Agreement dated May 1, 2021, and any other Rural Colorado Lease Purchase Agreement executed and delivered pursuant to the below-defined Indenture (collectively, the "Leases") by and between Zions Bancorporation, National Association, formerly known as ZB, National Association dba Zions 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 Rural Colorado Master Trust Indenture dated as of September 1, 2018 (the "Master Indenture") by the Trustee, as amended and supplemented by the State of Colorado Rural Colorado Series 2018A Supplemental Indenture dated as of September 1, 2018 (the "Series 2018A Supplemental Indenture"), and the State of Colorado Rural Colorado Series 2021A Supplemental Indenture dated as of May 1, 2021 (the "Series 2021A Supplemental Indenture"). The Master Indenture, as amended and supplemented by the Series 2018A Supplemental Indenture and the Series 2021A Supplemental Indenture, is referred to herein 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 Rural Colorado Certificates of Participation Series 2021A (the "Series 2021A 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 meanings assigned to them in the Glossary attached to the Master Indenture, as such Glossary may be amended, supplemented and restated from time to time.

**Payment of Principal and Interest**

The principal of and premium, if any, on this certificate shall be payable to the Owner as shown on the registration records of the Trustee upon maturity or prior redemption of this certificate and upon presentation and surrender at the Operations Center of the Trustee. Payment of interest at the interest rate set forth above is payable each June 15 and December 15, commencing December 15, 2021 (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 and the Colorado Department of Transportation have 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 2021A Certificates**

***Extraordinary Redemption Upon Occurrence of Event of Nonappropriation or Event of Default.*** The Series 2021A 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 2021A 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 2021A 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 2021A 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. **The payment of the redemption price of any Series 2021A 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 2021A Certificate and such other Certificate, and no Owner of any such Series 2021A 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, promptly upon the occurrence of an Event of Nonappropriation or an Event of Default under any Lease, notify the Owners of the Series 2021A 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 2021A 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 2021A Certificates and other Certificates that are subject to redemption, the Trustee shall (aa) promptly 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, promptly 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.

***Optional Redemption***. The Series 2021A Certificates are subject to redemption at the option of the State, in whole or in part and if in part in Authorized Denominations from the remaining maturities bearing interest at the same interest rate designated by the State and by lot within any remaining maturity bearing interest at the same interest rate designated for redemption, on any date on and after December 15, 2030, at a redemption price equal to the principal amount of the Series 2021A 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 2021A 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 2021A 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 2021A Certificates called for redemption, which moneys are or will be available for redemption of Series 2021A 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, 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 BANCORPORATION,
NATIONAL ASSOCIATION, as Trustee

By ______________________________
Vice President – Zions Bank Division

## 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

## LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED PROPERTY SUBJECT TO THE 2021A LEASE

After recording return to:
Michael R. McGinnis
Greenberg Traurig, LLP
1144 15th Street, Suite 3300
Denver, Colorado 80202

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**STATE OF COLORADO**
**RURAL COLORADO**
**SERIES 2021A LEASE PURCHASE AGREEMENT**

by and between

**ZIONS BANCORPORATION, NATIONAL ASSOCIATION,**
**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 May 1, 2021

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ARTICLE I

CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS



ARTICLE II

DEMISING CLAUSE; ENJOYMENT OF LEASED PROPERTY



ARTICLE III

LEASE TERM; TERMINATION OF LEASE



ARTICLE IV

RENT; EVENT OF NONAPPROPRIATION



ARTICLE V

OPERATION, MAINTENANCE AND INSURANCE OF LEASED PROPERTY



ARTICLE VI

TITLE TO LEASED PROPERTY; ENCUMBRANCES, EASEMENTS, MODIFICATIONS, SUBSTITUTION, DAMAGE, PERSONAL PROPERTY

ARTICLE XII

MISCELLANEOUS

# STATE OF COLORADO
# RURAL COLORADO
# SERIES 2021A LEASE PURCHASE AGREEMENT

This State of Colorado Rural Colorado Series 2021A Lease Purchase Agreement (this "Lease") is dated as of May 1, 2021 and is entered into by and between Zions Bancorporation, National Association, 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 Rural Colorado Master Trust Indenture dated as of September 1, 2018, as such Glossary may be amended, supplemented and restated from time to time.***

## RECITALS

A. The State Treasurer, on behalf of the State, is authorized by the Act to enter into one or more lease purchase agreements with, among other entities, a commercial bank as trustee to finance the projects permitted under the Act, and accordingly entered into the Series 2018A Lease Purchase Agreement on behalf of the State and desires to enter into this Series 2021A Lease Purchase Agreement on behalf of the State to finance the Projects.

B. The Leased Property will be leased to the Trustee pursuant to the Site Lease. All the Leased Property will then be leased to the State Treasurer, acting on behalf of the State, pursuant to this Lease, which is an authorized lease purchase agreement under the Act, with the Trustee, which is a commercial bank.

C. Certificates will be issued by the Trustee pursuant to the Indenture. Proceeds of the Certificates will be used pursuant to the terms of the Indenture to finance all or a portion of the costs of the Projects. The first Series of Certificates issued pursuant to the Indenture were the Series 2018A Certificates, the proceeds of which are being used to finance certain Projects, and the second Series of Certificates issued pursuant to the Indenture are the Series 2021A Certificates, the proceeds of which will be used to finance certain other Projects.

## 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 Project to be financed with proceeds of the Series 2021A Certificates is a permitted project under the Act.

(b) Except as provided below in subsection (c), the maximum total amount of annual lease payments payable by the State and by CDOT during any Fiscal Year under the Leases, shall not exceed $112.5 million and shall be allocated as follows:

(i) $[9] million in each Fiscal Year from the State General Fund, or any other available source of money, for State Building Projects;

(ii) $[50] million from CDOT in each Fiscal Year for Transportation Projects; and

(iii) the remainder of the amount needed in each Fiscal Year from the State General Fund, or any other legally available source of money.

(c) To the extent the Act is changed at any time to increase the maximum total amount of annual lease payments during any Fiscal Year under the Leases or change the amounts allocated between the State General Fund and CDOT, the provisions set forth above in subsection (b) shall be changed to reflect such increase and new allocation amounts under the provisions of the Act without any further action to be taken hereunder by the State and the Trustee.

(d) The State will not enter into any Lease Purchase Agreements that will cause the maximum total amount of annual lease payments payable by the State and CDOT during any Fiscal Year under this Lease and all other outstanding Rural Colorado Lease Purchase Agreements to exceed the amounts permitted under paragraph (b) 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.

(e) 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 which has a term of no more than twenty (20) years, in accordance with the Act.

(f) 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.

(g) This Lease has been duly executed and delivered by the State and is a 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.

(h) 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, and the Site Lease, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the State.

(i) [Except for the case which is titled TABOR Foundation, et al. v. Colorado Department of Health Care Policy and Financing et al.,] there is no litigation or proceeding pending or threatened against the State or any other Person which may affect the right of the State to execute, deliver or perform the obligations of the State under this Lease.

(j) 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 7.01 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 2021A 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 State's options to purchase the Leased Property hereunder and the terms of this Lease governing the use of the Leased Property.

(k) 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.

(l) The State is not aware of any current violation of any Requirement of Law relating to the Leased Property.

(m) The State has appropriated sufficient money from the General Fund to pay (i) the Base Rent payable in the current Fiscal Year that it does not anticipate CDOT to pay, 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.

(n) The certifications, representations and agreements set forth in the tax compliance certificate executed by the State in connection with the issuance of the

Series 2021A Certificates are hereby incorporated in the Lease as if set forth in full in this subsection.

(o) If any portion of the Act affecting the validity and enforceability of the Site Lease and the 2021A Lease or the source of payment for principal of and interest on the Series 2021A Certificates is held by the highest court of competent jurisdiction in an order which has not been stayed, to be unconstitutional or otherwise invalid, the State will use its best efforts to request legislation to be introduced in the General Assembly, which legislation would reauthorize the provisions of the Act which were determined to be unconstitutional or invalid in a manner which would cause the Site Lease and the 2021A Lease to remain valid and enforceable and for the principal of and interest on the Series 2021A Certificates to be payable.

## 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 Lease 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. The State and the Trustee hereby acknowledge that no ALTA/NSPS Land Title Survey was delivered and certified by a Colorado Registered Professional Land Surveyor in connection with a portion of the Leased Property used by the Department of Human Services and located at 1600 W. 24$^{th}$ Street, Pueblo, Colorado (the "Pueblo Property") as of the date of this Lease, and accordingly the title insurance policy with respect to the Pueblo Property has been or will be issued subject to standard survey exceptions. In order to address such survey exceptions, the State shall either (a) take such action necessary to have a certified ALTA/NSPS Land Title Survey delivered by a Colorado Registered Professional Land Surveyor with respect to the Pueblo Property so that a new title insurance policy, or an amendment of, or an endorsement or supplement to the previously issued title insurance policy containing extended survey coverage (subject to any matters disclosed in the survey) is provided with respect to the Pueblo Property which is reasonably acceptable to the State, or (b) by no later than June 30, 2022, there is provided substitute property for the Pueblo Property in accordance with the provisions of Section 6.05 hereof.

**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 7.01 hereof; or

(iv) termination of this Lease following an Event of Default in accordance with Section 10.02(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

## RENT; EVENT OF NONAPPROPRIATION

**Section 4.01. Base Rent.**

(a) The State and CDOT 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 in amounts not to exceed those set forth in Section 1.02(b) hereof.

(b) The portion of each payment of Base Rent identified as such on Exhibit B hereto, as such Exhibit is amended or supplemented from time to time, is paid as, and represents payment of: (i) Amortizing Principal; and (ii) interest.

(c) The Amortizing Principal and interest components of Base Rent and total Base Rent shall be paid in the amounts and on the Base Rent Payment Dates set forth in Exhibit B hereto, as such Exhibit may be amended or supplemented from time to time; provided, however, that, subject to subsections (d) and (e) of this Section:

> (i) there shall be credited against the amount of Amortizing Principal and the total Base Rent payable on any Base Rent Payment Date, 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;
>
> (ii) [Reserved]
>
> (iii) there shall be credited against the amount of interest and the total Base Rent payable on any Base Rent Payment Date, 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.

(d) Thirty days prior to each Base Rent Payment Date, the Trustee shall notify the State as the exact amounts, if any, on deposit in each account of the Certificate Fund that will be credited, pursuant to subsection (c) of this Section against the Amortizing Principal, interest and total Base Rent payable on such Base Rent Payment Date. If further amounts that are to be credited against the Amortizing Principal, interest 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 Amortizing Principal, interest and total Base Rent, as applicable, payable on the next succeeding Base Rent Payment Date.

(e) Upon receipt by the Trustee of each payment of Base Rent, the Trustee shall apply the amount of such payment:

> (i) *first*, the amount of each payment of Base Rent designated and paid as interest under Exhibit B hereto, as such Exhibit may be amended or supplemented from time to time, plus the amount of any past due interest on the Series 2021A 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 under Exhibit B hereto, as such Exhibit may be amended or supplemented from time to time, shall be deposited into the Principal Account.

**Section 4.02. Additional Rent**. The State shall, subject only to Sections 5.01(b) and 6.02(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 4.03. 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 5.01(b) and 6.02(b) hereof, and the other Sections of this Article, including, without limitation, Sections 4.04 and 4.05 hereof and Section 12.16 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 4.04. Event of Nonappropriation**.

(a) (i) The officer of the State who is responsible for formulating budget proposals with respect to payment of the State's portion of Rent is hereby directed (A) 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 (B) to include in each annual budget proposal submitted to the Colorado General Assembly during the Lease Term the amount of Base Rent scheduled to be paid from the State's General Fund, or any other legally available source of money, not to exceed the amount set forth in Section 1.02(b)(i) and (iii) hereof 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, and (ii) the officer of CDOT who is responsible for formulating budget proposals with respect to payment of CDOT's portion of Rent shall include in each annual budget proposal submitted to the Transportation Commission during the Lease Term the amount of Base Rent scheduled to be paid from the Transportation Commission's budget not to exceed the amounts set forth in Section 1.02(b)(ii) hereof.

(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 and CDOT have, 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 and CDOT have appropriated amounts sufficient to avoid an Event of Nonappropriation under subsection (b) of this Section, and (ii) the State and CDOT have paid all Rent due during the period from June 30 through the date of such appropriation.

(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 and CDOT shall furnish the Trustee, for informational purposes only, with copies of all appropriation or allocation measures relating to Rent or the Purchase Option Price promptly upon the adoption thereof by the Colorado General Assembly or the Transportation Commission, as the case may be, but not later than 30 days following the adoption thereof by the Colorado General Assembly and the Transportation Commission, as the case may be; 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 4.05. Limitations on Obligations of the State**.

(a) Payment of Rent by the State and CDOT and all other payments by the State hereunder shall constitute currently appropriated expenditures of the State and CDOT and may be paid solely from legally available moneys in the General Fund and from moneys under the control of the Transportation Commission. All obligations of the State under this Lease shall be subject to the action of the Colorado General Assembly and the Transportation Commission 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 and the Transportation Commission in their respective 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 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 and amounts allocated by the Transportation Commission 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 or CDOT 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 VII 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 or CDOT, nor shall any provision of this Lease restrict the future issuance of any obligations of the State or CDOT, payable from any class or source of moneys of the State or CDOT; provided, however, that the restrictions set forth in the Indenture shall apply to the issuance of Certificates.

## ARTICLE V

## OPERATION, MAINTENANCE AND INSURANCE OF LEASED PROPERTY

**Section 5.01. Taxes, Utilities and Insurance**.

(a) 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 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 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 shall first notify the Trustee of the intention of the State to do so, the State 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 that, in the opinion of Independent Counsel, whose fees and expenses shall be paid by the State, 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, the Trustee will cooperate fully with the State 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 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 or the Trustee without first giving written notice thereof to the State 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; and (vii) each insurance policy shall explicitly waive any co-insurance 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.

**Section 5.02. 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 6.05 and 6.07 hereof.

## ARTICLE VI

## TITLE TO LEASED PROPERTY; ENCUMBRANCES, EASEMENTS, MODIFICATIONS, SUBSTITUTION, DAMAGE, PERSONAL PROPERTY

**Section 6.01. Title to Leased Property**. Title to the leasehold estate in the Leased Property under the Site Lease shall be held in the name of the Trustee, subject to the Site Leases and this Lease, until the Leased Property 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 6.02. 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 shall first notify the Trustee of the intention of the State to do so, the State 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 that, in the opinion of Independent Counsel, whose fees shall be paid by the State, 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 of the right to continue to contest such item. At the request of the State, the Trustee will cooperate fully with the State in any such contest.

**Section 6.03. 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:

(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 and the Indenture 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 and the Indenture 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 a copy of the instrument of grant or release.

**Section 6.04. 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 6.05. 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 the principal amount of the Outstanding Certificates, both determined as of the date the substitution occurs.

(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 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 certifying that (i) the useful life of the substituted property extends to or beyond the final maturity of the Certificates, and (ii) the substituted property is at least as essential to the State 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 8.04 hereof.

**Section 6.06. 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 6.05 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 6.07. 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 7.01 hereof.

**Section 6.08. Personal Property of the State**. The State, 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

## STATE'S PURCHASE OPTION; CONVEYANCE TO STATE AT END OF LEASE TERM

**Section 7.01. State's Option to Purchase All Leased Property in Connection with Defeasance of Series 2021A Certificates**.

(a) The State is hereby granted the option to purchase all, but not less than all, of the Leased Property in connection with the defeasance of all the Series 2021A 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 Series 2021A 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 Series 2021A 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 Series 2021A 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 Series 2021A Certificates; and (B) if any Series 2021A 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 2021A Certificates shall be substituted for the Series 2021A 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 7.02. [Reserved]**

**Section 7.03. Conveyance of Leased Property**. At the closing of any purchase of Leased Property pursuant to Section 7.01 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 and the

Site Lease; (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; 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 7.04. 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 Certificates with the same Series designation as this Lease 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 7.03 hereof without any additional payment by the State.

## ARTICLE VIII

## GENERAL COVENANTS

**Section 8.01. 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 8.02. 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 8.03. 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 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 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.

(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 Lease by the Trustee or the performance of its obligations hereunder or thereunder.

**Section 8.04. 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 Series 2021A Certificates.

**Section 8.05. 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, this Lease, the Indenture, the Certificates, and the Site Lease 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 agreed to by the Trustee and the State. 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 8.06. Payments to 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. 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 8.07. 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.

## ARTICLE IX

## LIMITS ON OBLIGATIONS OF TRUSTEE

**Section 9.01. 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 9.02. 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 X

## EVENTS OF DEFAULT AND REMEDIES

**Section 10.01. Events of Default Defined**.

(a) Any of the following shall constitute an "Event of Default" under this Lease:

(i) failure by the State or CDOT to pay any specifically appropriated or allocated portion of its Base Rent to the Trustee on or before the applicable Base Rent Payment Date; provided, however, that a failure by the State or CDOT to pay its respective portion of 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 within 90 days following an Event of Nonappropriation in accordance with Section 3.02(b) hereof;

(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 11.02(a) hereof or any succession to all or any portion of the interest of the State in the Leased Property in violation of Section 11.02(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

(b) The provisions of subsection (a) of this Section are subject to the following limitations:

(i) the State and CDOT 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 10.02. 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;

(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 and allocated by the Transportation Commission, 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 are payable prior to the date, or are 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 XI 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 4.05 and 10.03 hereof

**Section 10.03. 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 10.02(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 10.02(c)(i) hereof.

**Section 10.04. No Remedy Exclusive**. Subject to Section 10.03 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 10.05. 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 10.01(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 XI

## TRANSFERS OF INTERESTS IN LEASE OR LEASED PROPERTY

**Section 11.01. 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 11.02. Transfer of the State's Interest in Lease and Leased Property Prohibited**.

(a) Except as otherwise permitted by Section 6.04 hereof with respect to subleasing or grants of use of the Leased Property, Section 6.05 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 VII hereof.

## ARTICLE XII

## MISCELLANEOUS

**Section 12.01. 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 XI 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 12.02. 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 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 Indenture**. The State has received a copy of, and acknowledges the terms of, the Indenture.

**Section 12.04. Trustee and State Representatives**. Whenever under the provisions hereof the approval of the Trustee or the State is required, or the Trustee or the State 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 and for the State by the State Representative and the Trustee and the State shall be authorized to act on any such approval or request.

**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 State, to Colorado State Treasurer, 140 State Capitol, Denver, CO 80203, Attention: COO/CFO, facsimile number: 303-866-2123, electronic mail address: Charles.scheibe@state.co.us, with a copy to Colorado State Controller, 1525 Sherman Street, 5th Floor Denver, Colorado 80202, Attention: Robert Jaros, facsimile number: 303-866-4233, electronic mail address: bob.jaros@state.co.us; if to CDOT, to CFO, facsimile number: 303-757-9656, electronic mail address: Jeffrey.sudmeier@state.co.us; and if to the Trustee, to Zions Bancorporation, National Association, 1001 Seventeenth Street, Suite 850, Denver, Colorado 80202, Attention: Corporate Trust Services facsimile number: 855-547-6178, electronic mail address: denvercorporatetrust@zionsbancorp.com. 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 12.06. 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 12.07. 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 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 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 12.09. 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 12.10. Merger**. The Trustee and the State intend that the legal doctrine of merger shall have no application to this Lease or the Site Lease and that none of the execution and delivery of this Lease by the Trustee and the State, any Site Lease by the State and the Trustee or the exercise of any remedies by any party under this Lease or any Site Lease shall operate to terminate or extinguish this Lease or the Site Lease.

**Section 12.11. 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 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 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 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 12.14. 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 12.15. 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 12.16. 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 balances of tax, accrued interest or other charges specified in C.R.S. § 39-21-101 et seq.; (d) unpaid loans due to the Student Loan Division of the Department of Higher Education; (e) amounts required to be paid to the Unemployment Compensation Fund; and (f) other unpaid debts certified by the State Controller as owing to the State as a result of final agency determination or judicial action.

**Section 12.17. 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 12.18. Execution in Counterparts**. This Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Trustee and the State have executed this Lease as of the date first above written.

ZIONS BANCORPORATION, NATIONAL ASSOCIATION, solely in its capacity as trustee under the Indenture

By ____________________________________
Vice President – Zions Bank Division

STATE OF COLORADO
Jared S. Polis, Governor

STATE OF COLORADO, acting by and through the Department of the Treasury

By ____________________________________
______________, Treasurer

APPROVALS:

ATTORNEY GENERAL
PHILIP J. WEISER

By ____________________________________
Lori Ann Knutson, First Assistant Attorney General

STATE CONTROLLER
ROBERT JAROS, MBA, CPA, JD

By ____________________________________
Robert Jaros, State Controller

STATE OF COLORADO
JARED S. POLIS, GOVERNOR
DEPARTMENT OF PERSONNEL & ADMINISTRATION
OFFICE OF STATE ARCHITECT, REAL ESTATE PROGRAMS

For the Executive Director

By ____________________________________
Brandon Ates, Real Estate Program Manager

STATE OF COLORADO ) <br>) ss.<br>CITY AND COUNTY OF DENVER )

The foregoing instrument was acknowledged before me this ___ day of May, 2021 by Stephanie Nicholls as an authorized signatory of Zions Bancorporation, National Association.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[NOTARIAL SEAL]

______________________________
Notary

My commission expires: July 31, 2021

______________________________

STATE OF COLORADO )
) ss.
CITY AND COUNTY OF DENVER )

The foregoing instrument was acknowledged before me this ____ day of May, 2021, by David L. Young, 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: July 31, 2021

______________________________

# EXHIBIT A

## LEGAL DESCRIPTION OF LAND

EXHIBIT B

BASE RENT PAYMENT SCHEDULE

| Date | Principal Component | Interest Component |
|---|---|---|
| 12/12/2021 | | |
| 6/12/2022 | | |
| 12/12/2022 | | |
| 6/12/2023 | | |
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| 6/12/2024 | | |
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| 12/12/2039 | | |

After recording return to:
Michael R. McGinnis
Greenberg Traurig, LLP
1144 15th Street, Suite 3300
Denver, Colorado 80202

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**SITE LEASE**

by and between

**STATE OF COLORADO,**
as Site Lessor

and

**ZIONS BANCORPORATION, NATIONAL ASSOCIATION,**
**solely in its capacity as Trustee under the Indenture identified herein,**
as site lessee

Dated as of May 1, 2021

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**STATE OF COLORADO**
**RURAL COLORADO**
**SERIES 2021A SITE LEASE**

This State of Colorado Rural Colorado Site Lease (this “Site Lease”) is dated as of May 1, 2021 and is entered into by and between the State of Colorado (the “State”), as lessor, and Zions Bancorporation, National Association, 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 Rural Colorado Master Trust Indenture dated as of September 1, 2018 (“Master Indenture”), as such Glossary may be amended, supplemented and restated from time to time.***

RECITALS

A. The State owns the land described in Exhibit A attached 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 State is authorized by the Act to, and will, lease the Leased Property to the Trustee pursuant to this Site Lease.

C. The State desires to finance improvements to certain transportation projects ( the “Project”), pursuant to the Act; and

D. In order to finance the costs of the Project, the State desires to demise to the Trustee, pursuant to this Site Lease, a leasehold interest in the Leased Property for good and valuable consideration, and sublease the Leased Property back from the Trustee pursuant to that certain Series 2021A Lease Purchase Agreement dated as of the date of this Site Lease (the “2021A Lease”) between the Trustee, as lessor, and the State, as lessee; and

E. The Trustee is executing and delivering and will perform its obligations under this Site Lease as trustee under the Master Indenture, and the Series 2021A Supplemental Trust Indenture dated as of the date hereof by the Trustee (collectively, the “Indenture”) pursuant to which there are being executed and delivered by the Trustee the State of Colorado Rural Colorado Certificates of Participation, Series 2021A (the “Series 2021A Certificates”), evidencing undivided interests in the right to receive certain revenues payable by the State under the 2021A Lease (the “Series 2021A Certificates”); and

F. The State has determined that the lease of the Leased Property to the Trustee pursuant to this Site Lease is in the best interests of the State and its residents.

AGREEMENT

For and in consideration of the mutual covenants and the representations, covenants and warranties herein contained, the parties hereto hereby agree as follows:

## ARTICLE I
## CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS

**Section 1.01. Representations, Covenants and Warranties by Trustee**. The Trustee hereby certifies, represents and agrees that all the certifications, representations and agreements of the Trustee set forth in Section 6.01 of the Master Indenture are true and accurate and makes the same certifications, representations and agreements under this Site Lease as if set forth in full herein.

**Section 1.02. Certifications, Representations and Agreements by State**. The State certifies, represents and agrees that:

(a) The State is the owner of the fee interest in the Leased Property, subject only to Permitted Encumbrances.

(b) The execution, delivery and performance of this Site Lease have been duly authorized by the State.

(c) The State has received all approvals and consents required for its execution, delivery and performance of its obligations under this Site Lease.

(d) This Site Lease has been duly executed and delivered by the State and is 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.

(e) 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 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 2021A Lease and the Indenture, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the State.

(f) Except for the case which is titled TABOR Foundation, et. al. v. Colorado Department of Health Care Policy and Financing, et. al., there is no litigation or proceeding pending or threatened against the State or any other Person that may affect the right of the State to execute, deliver or perform the obligations of the State under this Site Lease.

(g) The State is not aware of any current violation of any Requirement of Law relating to the Leased Property.

## ARTICLE II
## DEMISING CLAUSE; ENJOYMENT OF LEASED PROPERTY

**Section 2.01. Demising Clause**. The State 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 State 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 State, 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 15, 2049;

(ii) the purchase and conveyance of all the Leased Property subject to the 2021A Lease by the State pursuant to Section 7.01 of the 2021A Lease; or

(iii) termination of this Site Lease following an Event of Default under this Site Lease in accordance with Section 10.02(a) hereof.

**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
## PURPOSE

The Trustee shall use the Leased Property for the purpose of subletting the same to the State pursuant to the 2021A Lease; provided that upon the occurrence of an Event of Nonappropriation or an Event of Default under the 2021A Lease or Event of Default under the Indenture, the State shall vacate the Leased Property as provided in the 2021A Lease, the Trustee may exercise the remedies provided in the 2021A Lease and the Indenture and the Trustee may use or sublet the Leased Property for any lawful purposes.

## ARTICLE V
## RENT

The Trustee is not obligated to pay any rent under this Site Lease. The consideration paid by the Trustee to the State for the right to use the Leased Property during the Site Lease Term is the deposit of proceeds of the Series 2021A Certificates issued by the Trustee into the State Building Project Account and the Transportation Project Account held by the Trustee under the Indenture to finance the State Building Projects and the Transportation Projects.

## 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 State, subject to this Site Lease and the 2021A Lease.

**Section 6.02. Limitations on Disposition of and Encumbrances on Leased Property**. Except as otherwise permitted in this Article or Articles VII or VIII hereof and except for Permitted Encumbrances, the State 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 State shall, at the request of the Trustee 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 6.03 of the 2021A Lease.

**Section 6.04. Subleasing and Other Grants of Use**. The Trustee is expressly authorized to sublease the Leased Property to the State pursuant to the 2021A Lease. 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 2021A Lease and the Indenture following an Event of Default or Event of Nonappropriation under the 2021A Lease.

**Section 6.05. Substitution of Other Property for Leased Property**. If the State substitutes other real property under the 2021A Lease for any portion of the State's Leased Property, the property so substituted under the 2021A 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 6.06 of the 2021A Lease.

**Section 6.07. Personal Property of Trustee, State and Others**. The Trustee, the State and any other Person who has the right to use the Leased Property under this Site Lease, 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 State 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 State 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 State and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them. The Trustee grants to the State 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 State 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 State 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 State and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them. The Trustee grants to the State 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 State 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 State but not included in the Leased Property (the "Offsite Parking Area") for the purpose of parking of passenger vehicles 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 State and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them; and provided, further that, the State 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 State 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 State 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 State with respect to the Offsite Parking Area.

**Section 7.04. Utilities**. The State agrees to provide the Leased Property with all gas, water, steam, electricity, heat, power and other utilities on a continuous basis except for periods of repair, and to pay for the costs of such utilities. Pursuant to the 2021A Lease, the State has agreed to reimburse the Trustee for such costs during the Lease Term of the 2021A Lease, if the Trustee incurs any such costs. If (a) the 2021A 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 State 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 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 Site Lease.

**Section 8.02. Compliance with Requirements of Law**. On and after the date hereof, the State 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.

## ARTICLE IX
## LIMITS ON OBLIGATIONS

**Section 9.01. Limitation of Obligations of the State**. No provision of the Series 2021A Certificates, the Indenture, the Lease or this Site Lease 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 3 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.

**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 State, unless the State 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 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; 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 State 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) 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

(c) 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 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 State 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 State 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 State**. The State shall not, except as otherwise provided elsewhere in this Site Lease, assign, convey or otherwise transfer to any Person any of the State's interest in the Leased Property or the State'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.

## 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 State and their respective successors and assigns. 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 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 2021A Lease**. The Trustee hereby acknowledges the terms of the 2021A Lease.

**Section 12.04. Trustee and State Representatives**. Whenever under the provisions hereof, the approval of the Trustee or the State is required, or the Trustee or the State 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 and for the State by the State Representative.

**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 Trustee, to Zions Bancorporation, National Association, 1001 Seventeenth Street, Suite 850, Denver, Colorado 80202, Attention: Corporate Trust Services, facsimile number: 855-547-6178, electronic mail address: denvercorporatetrust@zionsbancorp.com; and if to the State, to the Colorado State Treasurer, 140 State Capitol, Denver, CO 80203, Attention: COO/CFO, facsimile number: 303-866-2123, electronic mail address: Charles.scheibe@state.co.us, with a copy to Colorado State Controller, 1525 Sherman Street, 5th Floor, Denver, Colorado 80203, Attention: Robert Jaros, facsimile number: 303-866-4233, electronic mail address: bob.jaros@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 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 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**. Except as otherwise provided herein or in the Indenture, this Site 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 Site 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 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 and the Trustee intend that the legal doctrine of merger hall have no application to this Site Lease or the 2021A Lease and that none of the execution and delivery of this Site Lease by the State and the Trustee and the 2021A Lease by the Trustee and the State or the exercise of any remedies by any party under this Site Lease or the 2021A Lease shall operate to terminate or extinguish this Site Lease or the 2021A Lease.

**Section 12.11. Severability**. In the event that any provision of this Site Lease, other than 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 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 State 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 State estimates that the value of the land included in the Leased Property as of the date this Site Lease is entered into is $433,180,504.

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IN WITNESS WHEREOF, the Trustee and the State have executed this Site Lease as of the date first above written.

ZIONS BANCORPORATION, NATIONAL ASSOCIATION, solely in its capacity as trustee under the Indenture

By ____________________________________
Vice President – Zions Bank Division

STATE OF COLORADO
Jared S. Polis, Governor

STATE OF COLORADO, acting by and through the Department of the Treasury

By ____________________________________
David L. Young, Treasurer

APPROVALS:

ATTORNEY GENERAL
PHILIP J. WEISER

By ____________________________________
Lori Ann Knutson, First Assistant Attorney General

STATE CONTROLLER
ROBERT JAROS, MBA, CPA, JD

By ____________________________________
Robert Jaros, State Controller

STATE OF COLORADO
JARED S. POLIS, GOVERNOR
DEPARTMENT OF PERSONNEL & ADMINISTRATION
OFFICE OF STATE ARCHITECT, REAL ESTATE PROGRAMS

For the Executive Director

By ____________________________________
Brandon Ates, Real Estate Program Manager

STATE OF COLORADO )<br>
) ss.<br>
CITY AND COUNTY OF DENVER )

The foregoing instrument was acknowledged before me this ____ day of May, 2021 by Stephanie Nicholls as an authorized signatory of Zions Bancorporation, National Association.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[NOTARIAL SEAL]

______________________________________

Notary

My commission expires: July 31, 2021

______________________________________

STATE OF COLORADO )<br>
) ss.<br>
CITY AND COUNTY OF DENVER )

The foregoing instrument was acknowledged before me this _____day of May, 2021, by David L. Young as Treasurer of the State of Colorado.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[NOTARIAL SEAL]

______________________________________
Notary

My commission expires: July 31, 2021

______________________________________

EXHIBIT A

DESCRIPTION OF LEASED PROPERTY

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**APPENDIX C**
**Form of 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 Department of the Treasury, in connection with the execution and delivery of the captioned Certificates of Participation (the "Certificates") evidencing assignments of proportionate interests in the right to receive certain payments payable under (a) the annually renewable State of Colorado, Rural Colorado, Series 2021A Lease Purchase Agreement, dated as of June 1, 2021, entered into by and between ZB, National Association dba Zions Bancorporation, National Association, as trustee (the "**Trustee**") under the State of Colorado, Rural Colorado, Master Trust Indenture dated September 1, 2018 (as amended and supplemented from time to time, the "**Indenture**"), as lessor, and the State, acting by and through the State Treasurer, as lessee, and (b) any other lease entered into by and between the Trustee, as lessor, and the State, as lessee, pursuant to the Indenture. The Certificates are being delivered pursuant to the Indenture and under authority granted by the laws of the State.

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** – "SELECTED CDOT FINANCIAL INFORMATION," **Appendix H** – "LEASED PROPERTY" and **Appendix J** – "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. As of the date hereof, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located 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 U.S. 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, 2021, 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 also be provided not later than 270 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 thereafter 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 U.S. 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).[1]

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.

15. Incurrence of a Financial Obligation[2] of the State or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the State or obligated person, any of which affect the Owners of the Certificates, if material.

16. Default, event of acceleration, termination event, modification of terms or other similar events under the terms of the Financial Obligation of the State or obligated person, any of which reflect financial difficulties.

(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 the 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.

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[1] For the purposes of this event identified in Section 4(a)(12) hereof, the event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person

[2] "Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

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 may be made in any manner deemed appropriate by the State, including by an opinion of an attorney or firm of attorneys experienced in federal securities law selected by the State. The State shall file 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.

IN WITNESS WHEREOF, the State has caused this Continuing Disclosure Undertaking to be executed effective as of June 2, 2021.

**STATE OF COLORADO, acting by and through the Department of the Treasury**

By: ___________________________________________
State Treasurer

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## APPENDIX D
## Form of Bond Counsel Opinion

June 2, 2021

State of Colorado,
acting by and through the State Treasurer

Zions Bancorporation, National Association
as Trustee

$500,000,000
State of Colorado
Rural Colorado
Certificates of Participation, Series 2021A

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 above-captioned Certificates of Participation, Series 2021A (the "Certificates"). The Certificates are being executed and delivered pursuant to part 13 of article 82 of title 24, Colorado Revised Statutes, as amended, the Master Trust Indenture dated as of September 1, 2018 (the "Master Indenture") by Zions Bancorporation, National Association, as Trustee thereunder (the "Trustee"), and the Series 2020A Supplemental Trust Indenture dated as of May 1, 2021 by the Trustee (the "Supplemental Indenture" and together with the Master Indenture, the "Indenture"). The Certificates evidence undivided interests in the right to receive certain payments by the State and the Colorado Department of Transportation ("CDOT") under the Series 2020A Lease Purchase Agreement dated as of May 1, 2021 (the "Lease") 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 Site Lease dated as of May 1, 2021 (the "Site Lease") by and between the State, as lessor, and the Trustee, as lessee; the Arbitrage and Tax Certificate executed and delivered by the State Treasurer of the State of Colorado (the "State Treasurer") in connection with the execution and delivery of the Certificates; the Constitution and the laws of the State of Colorado; 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 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 Site Lease, the Lease, the Indenture and the Certificates, have relied upon, and assumed the correctness of the legal conclusions stated in, the opinion delivered by the Attorney General of the State of Colorado in connection with the execution and delivery of the Certificates with respect to the authorization, execution and delivery of the Site Lease and the Lease, the enforceability of the Site Lease against the State (but not the enforceability of the Lease) and other matters, and have assumed that the State, the Trustee and other parties will comply with, and perform their obligations in accordance with, the Lease, the Indenture and the Site Lease.

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 Lease.

2. The Lease has been duly authorized, executed and delivered by the State and is the legal, valid and binding obligation of the State enforceable against the State in accordance with its terms.

3. The Certificates evidence legal, valid and binding undivided interests in the right to receive certain payments, as provided in the Certificates and the Indenture, from the Base Rent payable by the State and CDOT under the Lease, as provided in the Lease.

4. Under existing laws, regulations, rulings and judicial decisions on the date hereof, the portion of the Base Rent paid by the State and CDOT and which is designated and paid as interest on the Certificates, as provided in the Lease, and received by the Owners of the Certificates (the "Interest Portion"), 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 on individuals.

5. Under the laws, regulations, rulings and judicial decisions existing on the date hereof, for any period during which the Interest Portion is not included in gross income for federal income tax purposes, the Interest Portion is excludable from taxable income for purposes of the State of Colorado income tax and the State of Colorado alternative minimum tax.

The opinions set forth in subparagraphs 4 and 5 above assume the accuracy of certain representations by the State and are subject to continuing compliance by the State with certain requirements of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder, that must be met subsequent to the issuance of the Certificates. Failure to comply with such requirements could cause the Interest Portion to be included in gross income for federal and State of Colorado income tax purposes or could otherwise adversely affect such opinions, retroactive to the date of issue of the Certificates. The State has covenanted in the Arbitrage and Tax Certificate to comply with such requirements. Furthermore, no opinion is expressed herein with respect to the federal income tax consequences of any payments received with respect to the Certificates following the termination of the Lease as a result of non-appropriation of funds or the occurrence of an event of default thereunder.

The rights of the Owners of the Certificates and the enforceability of the Certificates and the 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 of Colorado and its governmental bodies of the police power inherent in the sovereignty of the State of Colorado 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 Lease, the Lease, the Indenture or the Certificates against the Trustee; 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 Certificates; or the ability of the State and CDOT to use moneys from any particular source for the purpose of making payments under the Lease.

This opinion is solely for the benefit of the addressees in connection with the original delivery of the 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 of Colorado, 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. This opinion is not a guarantee of any result. 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 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

The General Fund is the principal operating fund of the State. All revenues and money not required by the State Constitution or statutes to be credited and paid into a special State fund are required to be credited and paid into the General Fund. As required by recent changes in GAAP, the General Fund reported in the State's Fiscal Year 2010-11 ACFR and subsequent ACFRs includes a large number of statutorily created special State funds that do not meet the GAAP requirements to be presented as Special Revenue Funds. To make the distinction between the statutory General Fund and the GAAP General Fund, the ACFR refers to the statutory General Fund as the General Purpose Revenue Fund. The revenues in the General Purpose Revenue Fund are not collected for a specific statutory use but rather are available for appropriation for any purpose by the General Assembly. The following discussion of the General Fund represents the legal and accounting entity referred to in the State's Fiscal Year 2019-20 ACFR as the General Purpose Revenue Fund.

## General Fund Revenue Sources

The major revenue sources to the General Fund are individual and corporate income taxes and sales and use taxes. The State also imposes excise taxes on the sale of cigarettes, tobacco products and liquor, and receives revenues from a diverse group of other sources such as insurance taxes, pari-mutuel taxes, interest income, court receipts and gaming taxes. The following table sets forth the State's receipts from major revenue sources for the past five Fiscal Years, as well as current OSPB estimates for Fiscal Years 2020-21 and 2021-22. See also "Revenue Estimation; OSPB Revenue and Economic Forecasts" in this Appendix and **Appendix G** – "OSPB MARCH 2021 REVENUE FORECAST," as well as "CERTAIN RISK FACTORS – Impact of COVID-19 (Coronavirus)" and "PRELIMINARY NOTICES – Cautionary Statement Regarding Projections, Estimates and Other Forward-Looking Statements in this Official Statement" at the beginning of this Official Statement. Unless otherwise noted, historical financial, economic and demographic data contained herein does not reflect the impact of COVID-19.

*[Remainder of page intentionally left blank]*

# State of Colorado
# General Fund Revenue Sources
(Accrual basis; dollar amounts expressed in millions)

| | Actual | | | | | | | | | | OSPB March 2021 Revenue Forecast | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Fiscal Year 2015-16 | | Fiscal Year 2016-17 | | Fiscal Year 2017-18 | | Fiscal Year 2018-19 | | Fiscal Year 2019-20[1] | | Fiscal Year 2020-21 | | Fiscal Year 2021-22 | |
| **Revenue Source** | **Amount** | **% Change** | **Amount** | **% Change** | **Amount** | **% Change** | **Amount** | **% Change** | **Amount** | **% Change** | **Amount** | **% Change** | **Amount** | **% Change** |
| **Excise Taxes:** | | | | | | | | | | | | | | |
| Sales Tax[2] | $2,652.6 | 1.3% | $2,826.1 | 6.5% | $ 3,094.2 | 9.5% | $3,246.6 | 4.9% | $3,196.0 | 4.7% | $3,331.2 | 4.2% | $3,473.4 | 4.3% |
| Use Tax | 241.2 | (7.3) | 259.5 | 7.6 | 309.9 | 19.4 | 345.5 | 11.5 | 210.5 | (39.1) | 205.4 | (2.4) | 203.5 | (0.9) |
| Retail Marijuana Tax | -- | -- | -- | -- | -- | -- | -- | -- | 245.5 | 27.0 | 295.6 | 20.4 | 316.3 | 7.0 |
| Cigarette Tax | 37.2 | (1.8) | 36.6 | (1.7) | 34.6 | (5.5) | 32.6 | (5.8) | 32.5 | (0.1) | 33.9 | 4.1 | 28.5 | (15.7) |
| Tobacco Products | 21.1 | 18.5 | 21.2 | 0.6 | 16.4 | (22.7) | 22.3 | 35.8 | 24.4 | 9.5 | 29.0 | 19.1 | 25.7 | (11.4) |
| Liquor Tax | 43.6 | 5.0 | 45.0 | 3.3 | 46.5 | 3.3 | 48.3 | 3.9 | 50.1 | 3.7 | 52.8 | 5.5 | 52.8 | -- |
| Proposition EE Tobacco Tax | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 76.2 | -- | 190.8 | 150.6 |
| Total Excise Taxes | 2,995.7 | 0.6 | 3,188.4 | 6.4 | 3,501.6 | 9.8 | 3,695.3 | 5.5 | 3,759.0 | 1.7 | 4,024.0 | 7.1 | 4,291.1 | 6.6 |
| **Income Taxes:** | | | | | | | | | | | | | | |
| Net Individual Income Tax | 6,526.5 | 2.8 | 6,760.9 | 3.6 | 7,577.2 | 12.1 | 8,247.0 | 8.8 | 8,645.5 | 4.8 | 8,433.8 | (2.4) | 9,102.7 | 7.9 |
| Net Corporate Income Tax | 652.3 | (5.8) | 509.3 | (21.9) | 781.9 | 53.5 | 919.8 | 17.6 | 728.3 | (20.8) | 818.6 | 12.4 | 803.4 | (1.9) |
| Total Income Taxes | 7,178.8 | 1.9 | 7,270.2 | 1.3 | 8,359.1 | 15.0 | 9,166.8 | 9.7 | 9,373.8 | 2.3 | 9,252.4 | (1.3) | 9,906.1 | 7.1 |
| Less State Education Fund Diversion[3] | (522.6) | 0.5 | (540.0) | (3.3) | (617.0) | (14.3) | (692.8) | (12.3) | (646.7) | (6.7) | 748.5 | 15.7 | 743.0 | 0.7 |
| Total Income Taxes to the General Fund | 6,656.2 | 2.0 | 6,730.2 | 1.1 | 7,742.1 | 15.0 | 8,474.0 | 9.5 | 8,727.1 | 3.0 | 8,503.8 | (2.6) | 9,163.1 | 7.8 |
| **Other Revenues**: | | | | | | | | | | | | | | |
| Insurance | 280.3 | 9.2 | 290.5 | 3.6 | 303.6 | 4.5 | 314.7 | 3.6 | 337.4 | 7.2 | 319.3 | (5.4) | 343.9 | 7.7 |
| Interest Income | 12.4 | 40.3 | 14.7 | 18.6 | 19.5 | 32.4 | 26.5 | 35.8 | 0.4 | (23.7) | 30.4 | (2.2) | 29.2 | (3.9) |
| Pari-Mutuel | 0.6 | 0.5 | 0.6 | (6.6) | 0.5 | (10.7) | 0.5 | (1.7) | 31.1 | 17.2 | 0.4 | (2.0) | 0.4 | (2.0) |
| Court Receipts | 3.5 | 34.5 | 4.1 | 17.5 | 4.4 | 7.6 | 4.2 | (5.3) | 3.9 | (6.7) | 3.9 | (0.5) | 3.9 | -- |
| Other Income[4] | 22.6 | (33.7) | 47.3 | 109.7 | 152.2 | 221.7 | 48.9 | (67.9) | 9.7 | (80.2) | 27.2 | 180.2 | 25.4 | (6.4) |
| Total Other | 319.4 | 5.5 | 357.2 | 11.8 | 480.2 | 34.4 | 394.7 | (17.8) | 382.5 | (3.1) | 381.1 | (0.4) | 402.8 | 5.7 |
| **Gross General Fund** | **$9,971.4** | **1.7%** | **$10,275.8** | **3.1%** | **$11,723.9** | **14.1%** | **$12,564.0** | **7.2%** | **$12,868.5** | **2.4%** | **$12,909.0** | **0.3%** | **$13,857.0** | **7.3** |

1 Preliminary, subject to change.

2 State voters approved Proposition AA in November of 2013, which included the imposition by the State of a sales tax of 10% on sales of retail marijuana and retail marijuana products effective January 2014. Per SB 17-267, this tax is increased to 15% effective July 1, 2017. The revenue derived from this sales tax is shared by the State and local governments where such sales occur. Through Fiscal Years 2016-17, the entire State share of this revenue is first credited to the General Fund and then transferred to the Marijuana Tax Cash Fund. Per SB 17-267, for Fiscal Year 2019-20, 28.15% of the State share of this revenue, less $30 million, is to be retained in the General Fund, 71.85% is to be transferred to the Marijuana Tax Cash Fund and $30 million is to be credited to the Public School Fund and distributed to rural school districts. Proposition AA also approved the imposition by the State of an excise tax of 15% on certain sales of unprocessed retail marijuana effective January 2014 that does not flow through the General Fund but is mostly credited directly to a cash fund for public school capital construction projects. See "STATE FINANCIAL INFORMATION – Taxpayers' Bill of Rights – *Voter Approval to Retain and Spend Certain Marijuana Taxes Associated with Proposition AA*.".

3 All individual and corporate income tax revenues are deposited to the General Fund and then a portion of the amount is diverted by law to the State Education Fund.

4 Other income in Fiscal Year 2017-18 includes receipt of a one-time settlement payment under the Tobacco Master Settlement Agreement.

Source: Office of State Planning and Budgeting.

## General Fund Overview

The following table summarizes the actual revenues, expenditures and changes in fund balances for the General Fund for the Fiscal Years 2015-6 through 2018-19, preliminary revenues, expenditures and changes in fund balances for Fiscal Year 2019-20, as well as the current OSPB estimates for Fiscal Years 2020-21 and 2021-22 from the OSPB March 2021 Revenue Forecast. Any new budget information will be incorporated in subsequent OSPB revenue forecasts. 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 "Revenue Estimation; OSPB Revenue and Economic Forecasts" in this Appendix and **Appendix G** – "OSPB MARCH 2021 REVENUE FORECAST," as well as "CERTAIN RISK FACTORS – Impact of COVID-19 (Coronavirus)" and the Preliminary Notices on the inside cover page of this Official Statement regarding forward-looking statements.

**State of Colorado**
**General Fund Overview**
**Fiscal Years 2015-16 through 2021-22**
(Dollar amounts expressed in millions; totals may not add due to rounding)

| | Actual (Unaudited) [1] | | | | | OSPB MARCH 2021 Revenue Forecast | |
|---|---|---|---|---|---|---|---|
| | Fiscal Year 2015-16 | Fiscal Year 2016-17 | Fiscal Year 2017-18 | Fiscal Year 2018-19 | Fiscal Year 2019-20[2] | Fiscal Year 2020-21 | Fiscal Year 2021-22[3] |
| **REVENUE:** | | | | | | | |
| Beginning Reserve | $ 689.6 | $ 512.7 | $ 614.5 | $ 1,366.0 | $1,262.6 | $1,823.8 | $2,146.2 |
| Gross General Fund Revenue | 9,971.4 | 10,275.8 | 11,723.9 | 12,564.0 | 12,868.5 | 12,909.0 | 13,857.0 |
| Transfers to the General Fund | 24.1 | 44.8 | 98.6 | 17.2 | 248.0 | 325.2 | 41.3 |
| **TOTAL GENERAL FUND REVENUE AVAILABLE FOR EXPENDITURE** | 10,685.1 | 10,833.4 | 12,436.9 | 13,947.2 | 14,379.1 | 15,057.9 | 16,044.4 |
| **EXPENDITURES:** | | | | | | | |
| Appropriation Subject to Limit [4] | 9,335.6 | 9,784.5 | 10,430.9 | 11,258.7 | 11,868.5 | 10,784.6 | 12,226.3 |
| Dollar Change From Prior Year | 466.6 | 448.9 | 646.4 | 827.8 | 609.8 | (1,020.6) | 1,441.7 |
| Percent Change From Prior Year | 5.3% | 4.8% | 6.6% | 7.9% | 5.4% | (8.6)% | 13.4% |
| Spending Outside Limit: | 895.1 | 640.1 | 784.5 | 1,596.3 | 910.5 | 2,127.2 | 1,157.8 |
| TABOR Refund under Subsection (7)(d) | -- | -- | 39.8 | 428.5 | -- | -- | -- |
| TABOR Refund under Subsection (3)(c) | (58.0) | -- | -- | -- | -- | 155.0 | 163.4 |
| Homestead Exemption (Net of TABOR Refund)[5] | -- | -- | 132.3 | 106.4 | -- | 141.0 | 142.1 |
| Other Rebates and Expenditures [5] | 281.3 | 285.0 | 158.5 | 159.7 | 145.7 | 44.0 | 111.0 |
| Transfers for Capital Construction [6] | 271.1 | 84.5 | 112.1 | 180.5 | 213.6 | 200.0 | -- |
| Transfers for Transportation [6] | 199.2 | 79.0 | 79.0 | 495.0 | 300.0 | 141.4 | 152.2 |
| Transfers to State Education Fund | 25.3 | 25.3 | 25.3 | 25.0 | 40.3 | 638.6 | 562.1 |
| Transfers to Other Funds [8] | 176.2 | 164.8 | 208.6 | 201.1 | 210.9 | 707.1 | 27.0 |
| Other Expenditures Exempt from General Fund Appropriations Limit [8] | -- | 1.5 | 29.0 | -- | | 100.0 | -- |
| **TOTAL GENERAL FUND OBLIGATIONS** | 10,230.7 | 10,424.6 | 11,215.5 | 12,855.0 | 12,715.6 | 12,911.8 | 13,384.1 |
| Percent Change from Prior Year | 5.7% | 1.9% | 7.6% | 14.6% | (0.6)% | 1.5% | 3.7% |
| Reversions and Accounting Adjustments [9] | (58.3) | (205.7) | (123.3) | (170.3) | 225.5 | -- | -- |
| **RESERVES** | | | | | | | |
| Year-End General Fund Balance | 512.7 | 614.5 | 1,344.8 | 1,262.5 | 1,825.7 | 2,146.2 | 2,660.3 |
| Year-End General Fund as a % of Appropriations | 5.5% | 6.3% | 12.9% | 11.2% | 15.4% | 19.9% | 21.8% |
| General Fund Statutory Reserve Amount [10] | 463.9 | 584.3 | 674.9 | 814.2 | 364.4 | 308.4 | 1,651.8 |
| Unappropriated Reserve Percentage [10] | 5.6% | 6.0% | 6.5% | -- | 11.4% | 25.3 | -- |
| Amount Above (Below) Statutory Reserve | 48.8 | 30.2 | 669.9 | 448.3 | 1,461.4 | 1,837.7 | 1,008.5 |

*Footnotes on following page:*

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[1] This table is unaudited, although some of the figures reported in these columns are identified by the OSPB from the State's ACFRs which are audited for the applicable Fiscal Years.

[2] Preliminary, subject to change.

[3] Fiscal Year 2021-22 expenditures will be adopted in future budget legislation. Therefore, the expenditures and fund balance projections shown in the table for Fiscal Year 2021-22 are illustrative only. Further, due to the requirement that the State budget be balanced, the negative Year-End General Fund Balance would not be permitted under State law. See "CERTAIN RISK FACTORS – Impact of COVID-19 (Coronavirus)."

[4] Total State appropriations during this period have been limited to such money 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 an amount equal to 5.0% of Colorado personal income.

[5] Current law requires TABOR refunds to be accounted for in the year the excess revenue is collected. TABOR refunds are not projected for Fiscal Years 2019-20 and 2020-21. See "STATE FINANCIAL INFORMATION – Taxpayers' Bill of Rights – Fiscal Year Revenue and Spending Limits; Referendum C" and **Appendix G** – "OSPB MARCH 2021 REVENUE FORECAST – Taxpayer's Bill of Rights: Revenue Limit."

[6] Other Rebates and Expenditures generally includes the Cigarette Rebate, which distributes money from a portion of State cigarette tax collections to local governments that do not impose their own taxes or fees on cigarettes; the Marijuana Rebate, which distributes 15% of the retail marijuana sales tax to local governments based on the percentage of retail marijuana sales in local areas; the Old Age Pension program, which provides assistance to low income elderly individuals who meet certain eligibility requirements; the Property Tax, Heat and Rent Credit, which provides property tax, heating bill or rent assistance to qualifying low-income disabled or elderly individuals; and, prior to Fiscal Year 2017-18, the Homestead Property Tax Exemption, which reduces property-tax liabilities for qualifying seniors and disabled veterans. Commencing with Fiscal Year 2017-18, the Homestead Property Tax Exemption has been shown as a separate category as the result of SB 17-267, which added as the first TABOR refund mechanism amounts reimbursed to county treasurers in the year of the TABOR refund for local property tax revenue losses attributable to the Homestead Property Tax Exemption as discussed in "STATE FINANCIAL INFORMATION – Taxpayers' Bill of Rights – *Fiscal Year Revenue and Spending Limits; Referendum C*."

[7] Amounts in this line generally include the Cigarette Rebate, which distributes money from a portion of State cigarette tax collections to local governments that do not impose their own taxes or fees on cigarettes; the Marijuana Rebate, which distributes 15% of the retail marijuana sales tax to local governments based on the percentage of retail marijuana sales in local areas; and the Old Age Pension program, which provides assistance to low income elderly individuals who meet certain eligibility requirements; the Property Tax, Heat and Rent Credit, which provides property tax, heating bill or rent assistance to qualifying low-income disabled or elderly individuals; and, prior to Fiscal Year 2017-18, the Homestead Property Tax Exemption.

[8] Section 24-75-219, C.R.S., requires certain transfers from the General Fund to the Highway Users Tax Fund and the Capital Construction Fund, commonly referred to as "228" transfers based on SB 09-228 which originally provided for the transfers. The amounts of the 228 transfers were revised per HB 16-1416 and SB 17-262. The amount of the capital construction transfers in Fiscal Years 2015-16, 2016-17 and 2017-18 also included transfers of General Fund money in addition to the required 228 transfers. In addition, SB 18-001 commits General Fund revenue for transportation projects in Fiscal Years 2018-19 and 2019-20. However, such transfers may be modified by the State Legislature. See "COLORADO DEPARTMENT OF TRANSPORTATION FINANCIAL INFORMATION – General Fund Transfers."

[9] State law requires transfers of General Fund money to various State cash funds. This line item includes transfers of amounts credited to the General Fund from the retail marijuana sales tax to a cash fund. See Note 1 to the table in "General Fund Revenue Sources" above. However, for Fiscal Year 2015-16 only, $40.0 million of the transfer to other funds amount is a transfer to public school capital construction related to the passage of Proposition BB. The Fiscal Year 2015-16 and Fiscal Year 2016-17 amounts also include a diversion of income tax revenue out of the General Fund to a separate severance tax fund pursuant to SB 16-218. However, due to the risk of lower than expected severance tax revenues in Fiscal Year 2017-18 and thereafter, HB 18-1338 requires General Fund transfers to various severance tax cash funds to protect program funding, and also requires an equivalent amount of future severance tax revenue to be diverted to the General Fund to repay these transfers

[10] Spending by the Medicaid program above the appropriated amount, called "Medicaid Overexpenditures," is usually the largest amount in this line.

[11] The Unappropriated Reserve requirement, codified as Section 24-75-201.1(1)(d), C.R.S., is a percentage of the amount appropriated for expenditure from the General Fund in the applicable Fiscal Year. For Fiscal Year 2015-16 only, the percentage is of the amount subject to the appropriations limit minus the amount of income tax revenue required by to be diverted to a reserve fund to fund severance tax refunds as discussed above. In Fiscal Years 2015-16 through 2017-18, General Fund appropriations for lease-purchase agreement payments made in connection with certificates of participation sold to fund certain capital projects were made exempt from the reserve calculation requirement. These appropriations were $37.8 million in Fiscal Year 2015-16, $46.0 million in Fiscal Year 2016-17 and $48.1 million in Fiscal Year 2017-18. SB 18-276 repealed the exemption of the lease-purchase agreement payments from the calculation of the reserve requirement. See "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – *Revenues and Unappropriated Amounts*" and "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS – The State, State Departments and Agencies."

Source: Office of State Planning and Budgeting.

## Revenue Estimation; OSPB Revenue and Economic Forecasts

***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. 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 State 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 most recent OSPB revenue forecast was issued on March 19, 2021, and is included in this Official Statement as **Appendix G** – "OSPB MARCH 2021 REVENUE FORECAST." The OSPB March 2021 Revenue Forecast projects revenues for Fiscal Years 2021-22 through 2022-23. The amounts forecast for Fiscal Years 2020-21 and 2021-2022 are summarized in "General Fund Revenue Sources" and "General Fund Overview" above in this Appendix.

The OSPB begins estimating revenue by obtaining macroeconomic forecasts for national and State variables. The national forecast for the OSPB March 2021 Revenue Forecast was provided by Moody's Economy.com. The OSPB forecasts the State economy using a model originally developed partly in-house and partly by consultants to the State.

The model of the State economy is updated quarterly. This model is comprised of numerous dynamic regression equations and identities. Moody's Economy.com's forecasts for national variables are inputs to many of the Colorado equations. The model of the State economy generates forecasts of key indicators such as employment, retail sales, inflation and personal income. These forecasts are then used as inputs to revenue forecasts for income tax receipts, corporate collections, sales tax receipts, etc.

The econometric model used to forecast General Fund revenue relies on the economic data estimated using the model of the State economy discussed above. The models used for forecasting General Fund revenues incorporate changes in policy, both State and federal, as well as changes in the economic climate and historical patterns. The General Fund models are comprised of regression equations for many of the revenue categories. There are three main categories of tax revenues: excise tax receipts, income tax receipts and other tax receipts. The General Fund models forecast the majority of the categories of General Fund receipts separately. For example, the model forecasts each type of income tax receipt (withholding, estimated payments, cash with returns and refunds) individually and then aggregates the numbers to arrive at a net individual income tax receipts forecast. However, for corporate income tax receipts and sales tax collections, the model forecasts only the aggregate amount for these revenues. For many of the smaller tax revenue categories, simple trend analyses are generally utilized to derive a forecast.

***Revenue Shortfalls.*** The State's Fiscal Year budgets are prepared and surplus revenues are determined using the modified accrual basis of accounting in accordance with the standards promulgated by GASB, with certain statutory exceptions. As a result, although the Fiscal Year budgets are balanced and, based upon the current forecast, there is anticipated to be an Unappropriated Reserve. The State may experience temporary and cumulative cash shortfalls. This is caused by differences in the timing of the actual receipt of cash revenues and payment of cash expenditures by the State compared to the inclusion of such revenues and expenditures in the State's Fiscal Year budgets on an accrual basis, which does not take into account the timing of when such amounts are received or paid. Also, prior forecasts of General Fund revenue may have overestimated the amount the State would receive for the Fiscal Year.

Whenever the Governor's revenue estimate for the current Fiscal Year indicates that General Fund expenditures for such Fiscal Year, based on appropriations then in effect, will result in the use of one-half or more of the Unappropriated Reserve, the Governor is required to formulate a plan for the General Fund expenditures so that the Unappropriated Reserve as of the close of the Fiscal Year will be at least one-half of the required amount. The Governor is required by statute to notify the General Assembly of the plan and to promptly implement it by: (i) issuing an executive order to suspend or discontinue, in whole or in part, the functions or services of any department, board, bureau or agency of the State government; (ii) approving the action of other State officials to require that heads of departments set aside reserves out of the total amount appropriated or available (except the cash funds of the Department of Education); or (iii) after a finding of 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 in June of 2021. General Fund revenue projections in this and subsequent OSPB revenue forecasts may be materially different from the OSPB March 2021 Revenue Forecast if economic conditions change markedly. If a revenue shortfall is projected for Fiscal Year 2020-21 and subsequent forecasted years, which would result in a budgetary shortfall, budget cuts and/or actions to increase the amount of money in the General Fund will be necessary to ensure a balanced budget. See "CERTAIN RISK FACTORS – State Budgets and Revenue Forecasts."

**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 money, 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.

***Fiscal Years 2019-20 and 2020-21 Investments of the State Pool.*** The following tables set forth the investment by category of the money in the State Pool as of the end of each month in Fiscal Years 2019-20 and 2020-21 for which information is available.

**State of Colorado**
**State Pool Portfolio Mix**
**Fiscal Year 2019-20**
(Amounts expressed in millions)[1]

| | July 2019 | Aug 2019 | Sept 2019 | Oct 2019 | Nov 2019 | Dec 2019 | Jan 2020 | Feb 2020 | Mar 2020 | Apr 2020 | May 2020 | June 2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Agency CMOs | $ 0.2 | $ 0.2 | $ 0.2 | $ 0.2 | $ 41.6 | $ 41.6 | $ 41.6 | $ 41.6 | $ 41.5 | $ 41.6 | $ 41.5 | $ 103.6 |
| Commercial Paper | 2,190.9 | 1,854.6 | 1,477.4 | 1,814.2 | 1,993.5 | 2,074.0 | 2,610.7 | 2,149.7 | 1,109.1 | 1,219.9 | 1,155.4 | 385.0 |
| U.S. Treasury Notes | 757.1 | 702.8 | 809.2 | 895.1 | 931.6 | 939.8 | 897.8 | 1,173.5 | 1,105.9 | 1,128.5 | 1,506.3 | 1,212.7 |
| Federal Agencies | 804.6 | 913.2 | 806.9 | 600.2 | 520.7 | 379.7 | 694.7 | 714.5 | 880.5 | 929.6 | 844.7 | 371.3 |
| Asset-Backed Securities | 901.0 | 863.9 | 930.1 | 915.8 | 875.6 | 804.8 | 683.8 | 683.9 | 674.8 | 666.8 | 666.3 | 634.5 |
| Money Market | 430.0 | 235.0 | 460.0 | 515.0 | 560.0 | 604.0 | 410.0 | 445.0 | 925.0 | 3,017.0 | 2,327.0 | 2,942.0 |
| Corporates | 4,458.6 | 4,704.7 | 4,717.2 | 4,369.6 | 3,955.6 | 3,938.5 | 4,214.9 | 3,991.7 | 4,709.3 | 3,918.7 | 3,686.2 | 3,693.1 |
| Certificates of Deposit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Totals | **$9,542.4** | **$9,274.4** | **$9,201.0** | **$9,110.1** | **$8,878.6** | **$8,782.4** | **$9,553.5** | **$9,199.9** | **$9,446.1** | **$10,922.1** | **$10,227.4** | **$9,342.2** |

[1] This table includes all money in the State Pool, which includes the General Fund, Borrowable Resources and other money that are invested by the State Treasurer.

Source: State Treasurer's Office

**State of Colorado**
**State Pool Portfolio Mix**
**Fiscal Year 2020-21**
(Amounts expressed in millions)[1]

| | July 2020 | Aug 2020 | Sept 2020 | Oct 2020 | Nov 2020 |
|---|---|---|---|---|---|
| Agency CMOs | $ 155.1 | $ 197.6 | $ 215.9 | $ 215.8 | $ 212.3 |
| Commercial Paper | 986.4 | 1,285.6 | 2,029.3 | 2,089.3 | 1,899.3 |
| U.S. Treasury Notes | 1,800.4 | 1,924.3 | 2,378.9 | 2,785.7 | 2,830.2 |
| Federal Agencies | 1,301.3 | 1,624.2 | 1,265.2 | 988.3 | 990.2 |
| Asset-Backed Securities | 457.8 | 455.1 | 453.1 | 450.8 | 447.4 |
| Money Market | 1,757.0 | 1,172.0 | 560.0 | 495.0 | 665.0 |
| Corporates | 3,982.8 | 4,811.9 | 4,723.3 | 4,754.1 | 4,300.0 |
| Certificates of Deposit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Totals | **$10,440.8** | **$11,470.7** | **$11,625.7** | **$11,779.0** | **$11,344.4** |

[1] This table includes all money in the State Pool, which includes the General Fund, Borrowable Resources and other money that are invested by the State Treasurer.

Source: State Treasurer's Office

**APPENDIX F**
**Selected CDOT Financial Information**

The following tables set forth a Combined Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for the Highway Users Tax Fund and sub-accounts for Fiscal Years 2015-16 through 2019-20 presented on the current financial resources basis and modified accrual basis. These tables were taken from the financial statements of the State as of and for Fiscal Years 2015-16 through 2019-20, which are audited by the State Auditor. Balances reported in these tables include the State Highway Fund in addition to sub-accounts within the Highway Users Tax Fund for the Department of Public Safety, the Department of Revenue, and the Department of Public Health and Environment not appropriated by the General Assembly or otherwise available to CDOT to pay Base Rentals as discussed under the caption "COLORADO DEPARTMENT OF TRANSPORTATION FINANCIAL INFORMATION" in the forepart of this Official Statement. See also "CERTAIN RISK FACTORS –Impact of COVID-19 (Coronavirus)." Unless otherwise noted, historical financial, economic and demographic data contained herein does not reflect the impact of COVID-19.

The State's Fiscal Year 2019-20 ACFR, including the State Auditor's Opinion thereon, is also appended to this Official Statement as **Appendix A**.

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**HIGHWAY USERS TAX FUND[1]**
**COMBINED BALANCE SHEET**
**(As of June 30 of each year)**
**(Dollars in thousands)**

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and Pooled Cash | $60,535 | $69,388 | $66,445 | $65,115 | $56,696 |
| Taxes Receivable, net | 2,272 | 2,009 | 1,932 | – | – |
| Other Receivables, net | 1,845 | 1,546 | 1,985 | 3,416 | 3,271 |
| Due from Other Governments | -- | – | 2,043 | – | – |
| Due from Other Funds | 699 | 1,978 | 8,281 | 5,037 | 5,033 |
| Inventories | 20,946 | 18,012 | – | 9,334 | 8,860 |
| Other Current Assets | -- | – | – | – | – |
| Prepaids, Advances and Deferred Charges | 5,032 | 3,717 | 3,729 | 679 | 1,252 |
| Restricted Cash and Pooled Cash | 764,565 | 836,806 | 545,255 | 497,654 | 752,176 |
| Restricted Investments | 2,290 | 2,286 | 5,466 | 90,122 | – |
| Restricted Receivables | 443,711 | 444,218 | 628,870 | 587,488 | 453,177 |
| Other Long-Term Assets | 20,865 | 15,049 | 15,154 | 9,793 | 12,150 |
| Depreciable Capital Assets & Infrastructure, net | -- | – | – | – | 30 |
| **TOTAL ASSETS** | $1,322,580 | $1,395,309 | $1,279,160 | $1,268,638 | $1,292,645 |
| **LIABILITIES** | | | | | |
| Warrants Payable | -- | – | – | – | – |
| Tax Refunds Payable | -- | – | – | $2,255 | $4,860 |
| Accounts Payable and Accrued Liabilities | $264,027 | $260,185 | $241,608 | 217,069 | 203,740 |
| Due to Other Governments | 44,558 | 44,460 | 38,934 | 34,317 | 34,195 |
| Due to Other Funds | 304 | 620 | 623 | 1,565 | 634 |
| Deferred Revenues | 34,077 | 44,163 | 44,493 | 31,207 | – |
| Unearned Revenue | -- | – | – | – | 16,834 |
| Compensated Absences Payable | -- | – | – | – | – |
| Claims and Judgments Payable | -- | – | 34 | 8 | – |
| Deposits Held in Custody for Others | -- | – | – | – | – |
| Other Current Liabilities | 42 | 31 | 30 | 32 | 28 |
| **TOTAL LIABILITIES** | $343,145 | $349,551 | $325,722 | $286,453 | $260,291 |
| **DEFERRED INFLOWS OF RESOURCES** | $1,082 | $2,804 | $1,239 | $1,465 | $933 |
| **FUND EQUITY** | | | – | – | |
| Fund Balances: | -- | – | – | – | – |
| Reserved For: | -- | – | – | – | – |
| Encumbrances | -- | – | – | – | – |
| Noncurrent Assets | -- | – | – | – | – |
| Funds Reported as Restricted | -- | – | – | – | – |
| Other Specific Purposes | -- | – | – | – | – |
| Statutory Fund Residual | -- | – | – | – | – |
| Long-Term Assets and Long-Term Receivables | -- | – | – | – | – |
| Emergencies | -- | – | – | – | – |
| Unreserved Undesignated, Reported in: | -- | – | – | – | – |
| Special Revenue Funds | -- | – | – | – | – |
| Unreserved: | -- | – | – | – | – |
| Designated for Unrealized Investment | -- | – | – | – | – |
| Gains: | -- | – | – | – | – |
| Reported in Major Funds | -- | – | – | – | – |
| Undesignated | -- | – | – | – | – |
| Nonspendable: | -- | – | – | – | – |
| Long-term Portion of Interfund Loan Receivable | -- | – | – | – | $30 |
| Inventories | $20,946 | $18,012 | $8,281 | $9,334 | 8,860 |
| Prepaids | 5,032 | 3,717 | 3,729 | 679 | 1,252 |
| Restricted | 900,962 | 961,284 | 882,113 | 917,778 | 975,001 |
| Committed | 51,413 | 59,641 | 558,076 | 52,929 | 46,278 |
| **TOTAL FUND EQUITY** | $978,353 | $1,042,654 | $952,199 | $980,720 | $1,031,421 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OR RESOURCES AND FUND BALANCES** | $1,322,580 | $1,395,009 | $1,279,160 | $1,268,638 | $1,292,645 |

[1] See Notes 4 and 5 to the State's Fiscal Year 2019-20 ACFR (appended to this Official Statement as **Appendix A**) for a description of the Highway Users Tax Fund and the basis of accounting used.

Source: State audited financial statements, Fiscal Years 2015-16 through 2019-20.

## HIGHWAY USERS TAX FUND[1]
## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
## (As of June 30 of each year)
## (Dollars in thousands)

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| **REVENUES:** | | | | | |
| Taxes | $624,853 | $655,250 | $656,484 | $629,458 | $610,089 |
| Licenses, Permits and Fines | 394,963 | 409,519 | 409,332 | 392,445 | 376,963 |
| Charges for Goods and Services | 187,260 | 154,772 | 141,503 | 143,666 | 134,185 |
| Rents | 4,013 | 3,609 | 3,259 | 3,037 | 3,318 |
| Investment Income | 39,470 | 31,131 | 754 | 2,769 | 11,052 |
| Federal Grants and Contracts | 660,650 | 456,454 | 769,476 | 843,438 | 842,408 |
| Other | 74,647 | 167,135 | 171,232 | 67,782 | 102,032 |
| **TOTAL REVENUES** | $1,985,856 | $1,877,870 | $2,152,040 | $2,082,595 | $2,080,047 |
| **EXPENDITURES:** | | | | | |
| Current: | | | | | |
| General Government | $71,564 | $60,701 | $67,930 | $62,984 | $57,685 |
| Health and Rehabilitation | 12,435 | 12,303 | 10,652 | 11,862 | 11,277 |
| Justice | 143,052 | 143,078 | 134,754 | 128,525 | 123,635 |
| Transportation | 1,548,895 | 1,294,660 | 1,344,667 | 1,361,221 | 1,328,083 |
| Capital Outlay | 74,765 | 53,874 | 129,062 | 84,846 | 42,837 |
| Intergovernmental: | | | | | |
| Cities | 241,472 | 263,769 | 253,012 | 260,710 | 236,675 |
| Counties | 268,809 | 279,289 | 235,832 | 234,563 | 212,937 |
| Special Districts | 79,133 | 64,986 | 61,071 | 67,459 | 46,917 |
| Federal | 14 | 2 | 16 | 14 | – |
| Other | 4,744 | 822 | 2,728 | 1,196 | 582 |
| **TOTAL EXPENDITURES** | $2,444,883 | $2,173,484 | $2,239,724 | 2,213,380 | $2,060,628 |
| **EXCESS OF REVENUES OVER (UNDER) EXPENDITURES** | $(459,027) | $(295,614) | $(87,684) | $(130,785) | $19,419 |
| **OTHER FINANCING SOURCES (USES):** | | | | | |
| Transfer In | $459,130 | $445,317 | $85,176 | $83,715 | $204,713 |
| Transfer Out | (65,298) | (59,252) | (26,616) | (148,017) | (181,703) |
| Sale of Capital Assets | -- | – | – | – | – |
| Proceeds of Bond Issuance | -- | – | – | 142,543 | – |
| Advances from Private or Public Sources | -- | – | – | – | – |
| Insurance Recoveries | 894 | 4 | 603 | 1,843 | 432 |
| Note/Bond/COP Refunding Issuance | -- | – | – | – | – |
| Bond/COP Premium Refunding Proceeds | -- | – | – | – | – |
| Bond/COP Refunding Payments | -- | – | – | – | – |
| Other | -- | – | – | 80,084 | – |
| **TOTAL OTHER FINANCING SOURCES (USES)** | $394,726 | $386,069 | $59,163 | – | $23,442 |
| **NET CHANGE IN FUND BALANCES** | $(64,301) | $90,455 | (28,521) | $(50,701) | $42,861 |
| **FUND BALANCE, JULY 1** | $1,042,654 | $952,199 | $980,720 | $1,031,421 | $988,560 |
| Net Residual Equity Transfers-In (Out) | -- | – | – | – | – |
| Prior Period Adjustment | -- | – | – | – | – |
| **FUND BALANCE, JUNE 30** | $978,353 | $1,042,654 | $952,199 | $980,720 | $1,031,421 |

1 See Notes 4 and 5 to the State's Fiscal Year 2019-20 ACFR (appended to this Official Statement as **Appendix A**) for a description of the Highway Users Tax Fund and the basis of accounting used.

Source: State audit financial statements, Fiscal Years 2015-16 through 2019-20.

**HUTF Revenues Received by CDOT**

The following table sets forth the amount of HUTF revenues received by CDOT in Fiscal years 2010-11 through 2019-20 that would have been available to pay Base Rentals.

**HUTF Revenue to CDOT**
**Available to Pay Base Rentals**
**Fiscal Years 2009-10 through 2019-20**
**(Dollars in millions)**

| Fiscal Year | HUTF Revenue[1] |
|---|---|
| 2011 | $409.9 |
| 2012 | 414.0 |
| 2013 | 406.2 |
| 2014 | 418.6 |
| 2015 | 436.0 |
| 2016 | 438.5 |
| 2017 | 450.1 |
| 2018 | 469.3 |
| 2019 | 460.7 |
| 2020 | 438.5 |

[1] Excludes FASTER Revenues, which are not available to pay Base Rentals.

Source: CDOT.

**CDOT Employee Retirement Plan**

The following table sets forth CDOT's contributions to PERA in dollars (equal to the statutorily required contribution amounts for each period) and as a percentage of HUF revenues for Fiscal Years 2015-16 through 2019-20.

**CDOT Contributions to PERA**
**Fiscal Years 2013-14 through 2019-20**

| Fiscal Year | Dollar Amount of CDOT Contribution to PERA | Contribution as a Percentage of HUTF Revenues |
|---|---|---|
| 2016 | $33,878,107 | 6.2% |
| 2017 | 35,825,179 | 8.0 |
| 2018 | 37,446,575 | 8.0 |
| 2019 | 39,581,009 | 8.6 |
| 2020 | 41,214,636 | 9.4 |

Source: CDOT.

CDOT's proportionate share of the GASB 68 Net Pension Liability at the end of Fiscal year 2019-20, excluding CDOT enterprises and internal service funds, was $594.4 million. See additional information on the pension plan and funding in **Appendix J** – "STATE PENSION SYSTEM."

## APPENDIX G
## OSPB March 2021 Revenue Forecast

As discussed in **Appendix E** – "THE STATE GENERAL FUND – Revenue Estimation; OSPB Revenue and Economic Forecasts," the OSPB prepares quarterly economic and revenue estimates and is currently forecasting for Fiscal Years 2020-21 through 2022-23. The forecasts include projections of General Fund revenues available for spending and end-of-year reserves through the forecast period. Budgeted General Fund spending levels are also included. 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 March 19, 2021, and is included in its entirety in this Appendix. The pagination of this Appendix reflects the original printed document. See "CERTAIN RISK FACTORS – Impact of COVID-19 (Coronavirus)."

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 "PRELIMINARY NOTICES – Cautionary Statement Regarding Projections, Estimates and Other Forward-Looking Statements" at the beginning of this Official Statement.

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March 19, 2021

# STATE OF COLORADO

Governor’s Office of State Planning and Budgeting

# COLORADO ECONOMIC
# AND
# FISCAL OUTLOOK

COLORADO
Governor Jared Polis

# Contents



Jared Polis – Governor
Lauren Larson – Budget Director
Luke Teater – Deputy Director
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Edmond Toy – Senior Economist
Meredith Moon – Senior Economist
Alex Carlson - Economist
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For additional information about the Governor's Office of State Planning and Budgeting, to access this publication electronically, or to sign up to be notified by email when the quarterly forecast is released, please visit www.colorado.gov/ospb.

# Forecast in Brief

**NATIONAL ECONOMIC OUTLOOK**

The U.S. economy is poised to rebound sharply in 2021, with GDP likely to grow at its fastest pace in decades. The recovery will be driven by the widespread availability of vaccines and the end of the pandemic, as well as by supportive fiscal and monetary policies. While aggregate household savings and wealth have increased since the pandemic began, the recession is having a disparate impact across industries, with job losses and business closures concentrated in predominantly low-wage industries.

**COLORADO ECONOMIC OUTLOOK**

After declining in November and December, total Colorado employment returned to growth in January as declining COVID caseloads allowed the easing of public health restrictions, and this growth is expected to continue as more people are vaccinated. While the state is positioned to benefit from a return to domestic travel and is an attractive location for remote workers, downtown areas may lag as businesses allow more remote work and business travel returns slowly.

**GENERAL FUND REVENUE**

General Fund revenue is projected to increase by 0.3 percent in FY 2020-21 and grow by another 7.3 percent in FY 2021-22. It is expected to further increase by 5.2 percent in FY 2022-23. The General Fund revenue forecast has been revised upwards from the December forecast by a total of $1.5 billion between FY 2020-21 and FY 2022-23. This upward revision is due to higher than anticipated revenue collections in recent months as well as improved economic expectations for 2021 and beyond.

**CASH FUND REVENUE**

Total cash fund revenue subject to TABOR was $2.2 billion in FY 2019-20, a decrease of 8.3 percent from the prior fiscal year. In FY 2020-21 cash fund revenue is projected to increase by 1.2 percent to $2.3 billion before growing 6.3 percent to $2.4 billion in FY 2021-22.

**TABOR**

Revenue subject to TABOR is expected to be slightly below the Referendum C cap, as lowered by SB17-267, in FY 2020-21 and FY 2021-22. In FY 2022-23, however, revenue subject to TABOR is expected to exceed the Referendum C cap by $181.5 million.

**GENERAL FUND RESERVE**

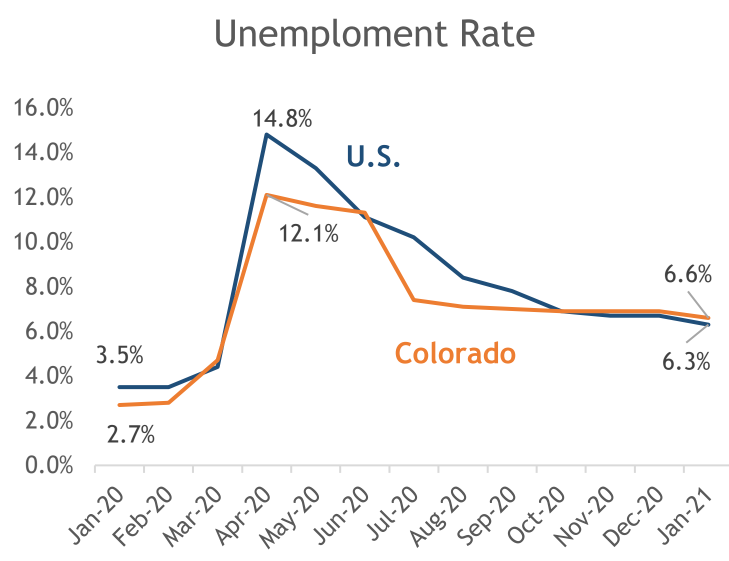
With these updated projections, the General Fund reserve is now projected to be $1.0 billion above the Governor's requested statutory reserve amount of 13.5 percent of appropriations in FY 2021-22, assuming enactment of the Governor's budget request and stimulus package.

# Economic Outlook

The U.S. and Colorado economies are positioned for historic economic growth in 2021 due to accelerating vaccinations, significant federal stimulus and relief spending, and supportive monetary policy. While some (predominantly low-wage) industries have been disproportionately affected by this pandemic recession, job openings have remained high and new business formation has accelerated. Furthermore, household finances are strong overall, with high savings and low debt, underpinned by a healthy housing market and accommodative financial conditions.

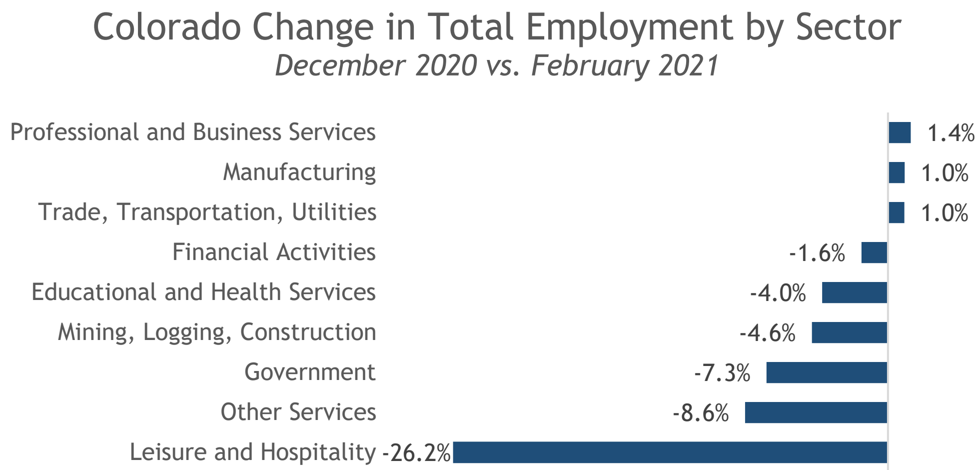
## Employment

After stabilizing at 6.9 percent, just above the national rate, from October through December, Colorado's unemployment rate declined slightly to 6.6 percent in January. The drop in unemployment rate in January was predominantly due to a 32,000 gain in total nonfarm payrolls, driven by gains in leisure and hospitality after the loosening of public health restrictions. This increase is notably the largest month-over-month gain since June. In addition to these gains, it is noteworthy that no industries faced significant declines in jobs between December and January, signaling positive employment trends across the board in Colorado. Finally, Colorado's labor force also expanded slightly in January, up 7,000 to its highest participation rate since February 2020. The increase in the size of the Colorado labor force is a potential indication that concerns surrounding COVID-19 in the workplace and other constraints such as lack of childcare are at least partially waning, thus prompting some Coloradans to reenter the workforce.




*Source: U.S. Bureau of Labor Statistics; Colorado Department of Labor and Employment.*

Further, the granular employment effects of the pandemic demonstrate how this recession has been fundamentally different from previous crises and the burden has fallen disproportionately on specific sectors and populations.

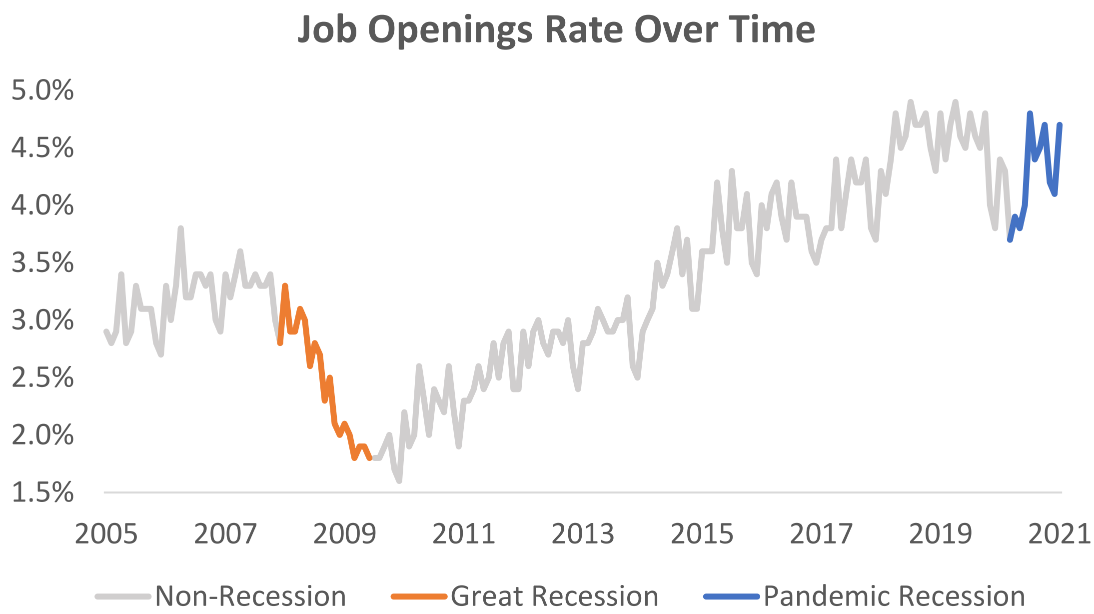



*Source: Colorado Department of Labor and Employment.*

The chart above shows these disparities by industry. As of December, leisure and hospitality, government, mining, education, and other services continue to see large year-over-year decreases in employment across the state, while trade, manufacturing, and professional and business services have actually seen an increase in seasonally adjusted employment since the start of the pandemic.[1]

These sector-level disparities also highlight how the pandemic has particularly strained lower wage workers and traditionally marginalized communities, including minorities, immigrants, and women, who are concentrated in sectors with the largest declines in employment. For example, individuals who identify as Hispanic or Latino comprise 24.1 percent of the leisure and hospitality industry, while they comprise only 18.5 percent of the U.S. population, according to the Bureau of Labor Statistics Current Population Survey. Similarly, women represent 74.6 percent of workers in educational and health services.

[1] The "other services" category includes services such as auto repair and personal services including hair and nail salons, industries that have been negatively affected by pandemic restrictions. In addition, the "government" category includes employment effects in public education, on which the pandemic has also taken a large toll.

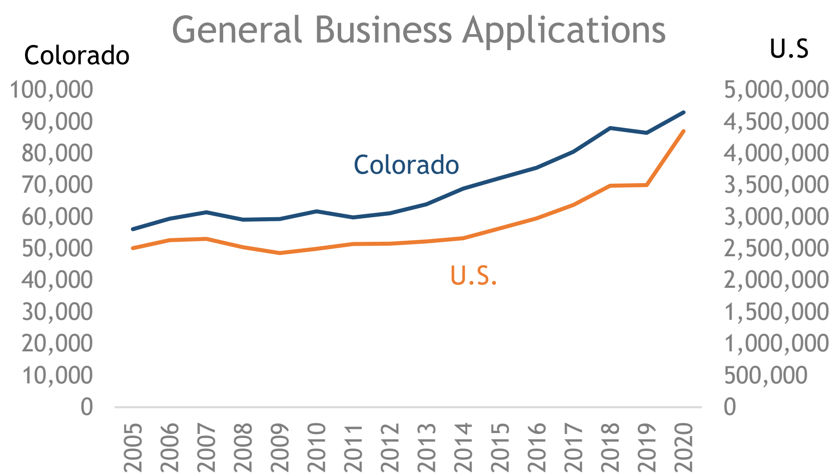



Another lens through which to analyze the employment situation is the rate of job openings across the economy. In most economic downturns, the rate of job openings tends to decrease as demand for businesses to hire new workers declines. As the graph above demonstrates, this recession has not seen a significant drop in job openings. The resiliency of labor demand is particularly noteworthy when compared to the significant unemployment across the country. In part, this skewed relationship is just another indication of the disparities in labor market impacts across sectors. However, there are two more nuanced takeaways from this continued strength in labor demand. On the upside, the relatively stable job openings indicate that there is underlying strength in the labor market that has only been temporarily disrupted by the pandemic. This pattern suggests that as the labor supply-side impacts of the pandemic wane, the labor market will quickly recover.

Alternatively, a continued detachment between the levels of unemployment and job openings suggests that the pandemic has highlighted an existing trend: increased demand for medium and higher-skilled jobs paired with reduced demand for low-skilled jobs. Accordingly, employers looking to hire in these higher skilled industries are not able to find workers with the requisite skills, despite many individuals looking for work. For instance, a restaurant worker laid off as a result of the pandemic is not likely to possess the skills necessary to quickly fill a job opening in advanced manufacturing. The current imbalance is unlikely to have a long term effect as demand in the leisure and hospitality industries will likely return as public health restrictions ease. Monitoring the longer term evolution of this relationship between labor demand and supply across industries will be of value moving forward. In particular, continued gains in medium and high-skilled industries paired with stagnation in low-skilled industries suggests a need for greater attention on workforce development programs such as re-skilling and up-skilling.

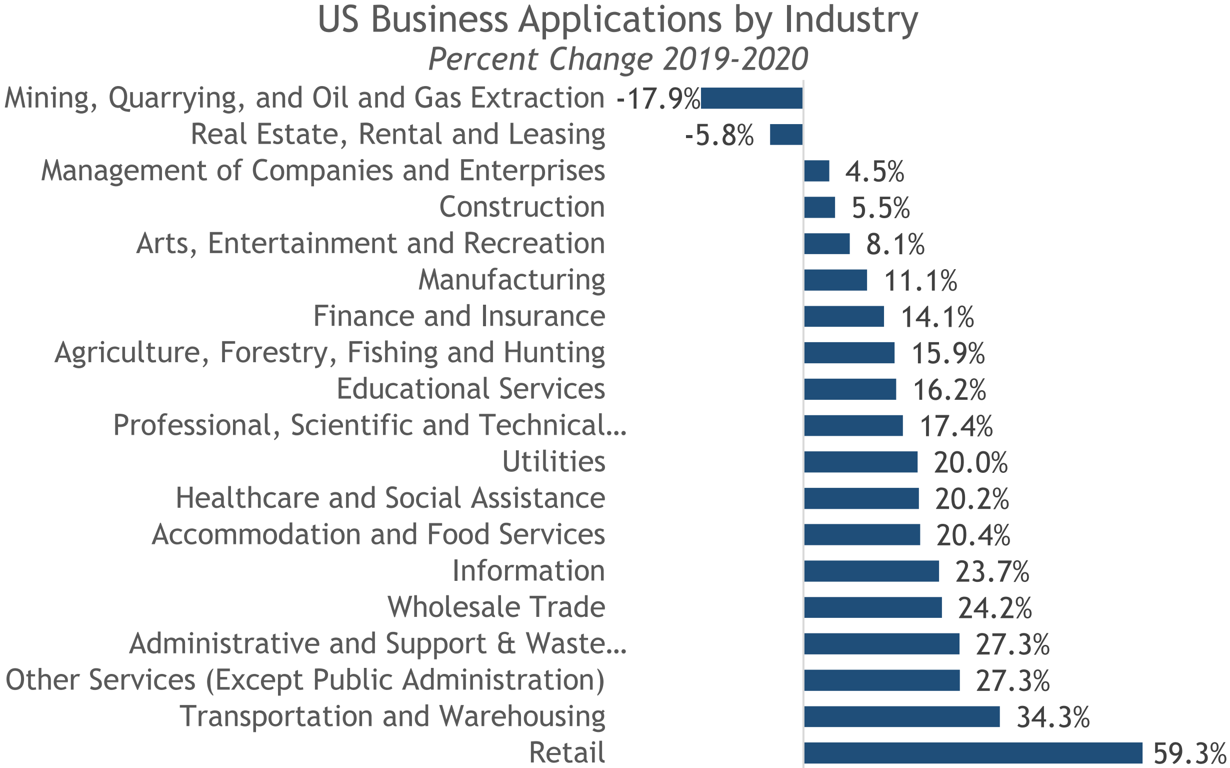
# Small Business

The rate of new business formation accelerated markedly in 2020, particularly during the summer. In spite of the pandemic recession, general business applications (most of which are from sole proprietors) in Colorado increased from 86,537 in 2019 to 92,980 in 2020. While this 7.4 percent rise was significantly lower than the national growth rate (24.2 percent), it still represented a large reversal from the aftermath of the Great Recession, when business applications were down.




*Source: US Census Bureau Business Formation Statistics; data seasonally adjusted.*

National data shows that the largest year-over-year growth in general business applications came in retail (up 59 percent), transportation and warehousing (up 34 percent), and other services (a general category that includes businesses such as personal care services and laundromats) (up 27 percent). This surge in new businesses in the retail trade sector was mainly driven by non-store retailers, who typically sell online or deliver goods directly to their clients. Still, these retailers are less likely to hire additional employees than other sectors. Unsurprisingly, the oil and gas sector experienced the largest decline in applications (down 18 percent). This decrease is attributable to low market prices and subdued production. The only other sectoral decline came from real estate (down 6 percent), in spite of the booming housing market.



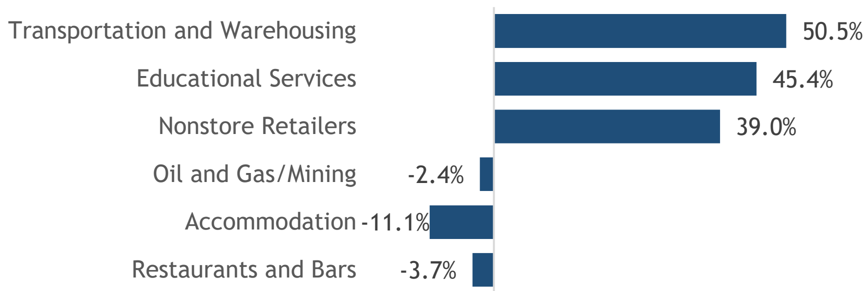

*Source: US Census Bureau Business Formation Statistics; data seasonally adjusted.*

Expanded federal relief is also lifting growth prospects. Since the third round of the Paycheck Protection Program (PPP) launched in January, almost 41,000 Colorado small businesses have received a total of $3.2 billion, with an average loan size of $71,000 (compared to $101,000 with the previous two rounds of PPP lending). A recent two-week window limited to businesses with less than 20 employees and recent PPP rule changes are also likely to lead to higher uptake among sole proprietors, independent contractors, and other self-employed individuals – 70 percent of which are owned by women and people of color. Unlike last year, small businesses are currently eligible for both PPP funding and the federal Employee Retention Credit, which provides refundable payroll tax credits of up to $14,000 for each employee that a business retains, including retroactively to March 2020.

Still, there is evidence of business closures in several sectors. While the overall number of sales tax returns filed has grown by roughly 28 percent from December 2019 to December 2020, this masks wide divergences. There was an 11.1 percent decline in returns from businesses in the accommodations sector and 4 percent from restaurants and bars. It is unclear how many of these establishments will reopen. A Colorado Restaurant Association survey conducted in January indicates that restaurant staffing is down approximately 40 percent compared to this time last year, with 31 percent of restaurants indicating they are operating with less than half the staff they did this time last year. Alcohol-to-go sales have proven beneficial, however, with nearly one-quarter of the industry indicating that this accounts for more than 20 percent of their revenue.

Sales Tax Returns Filed

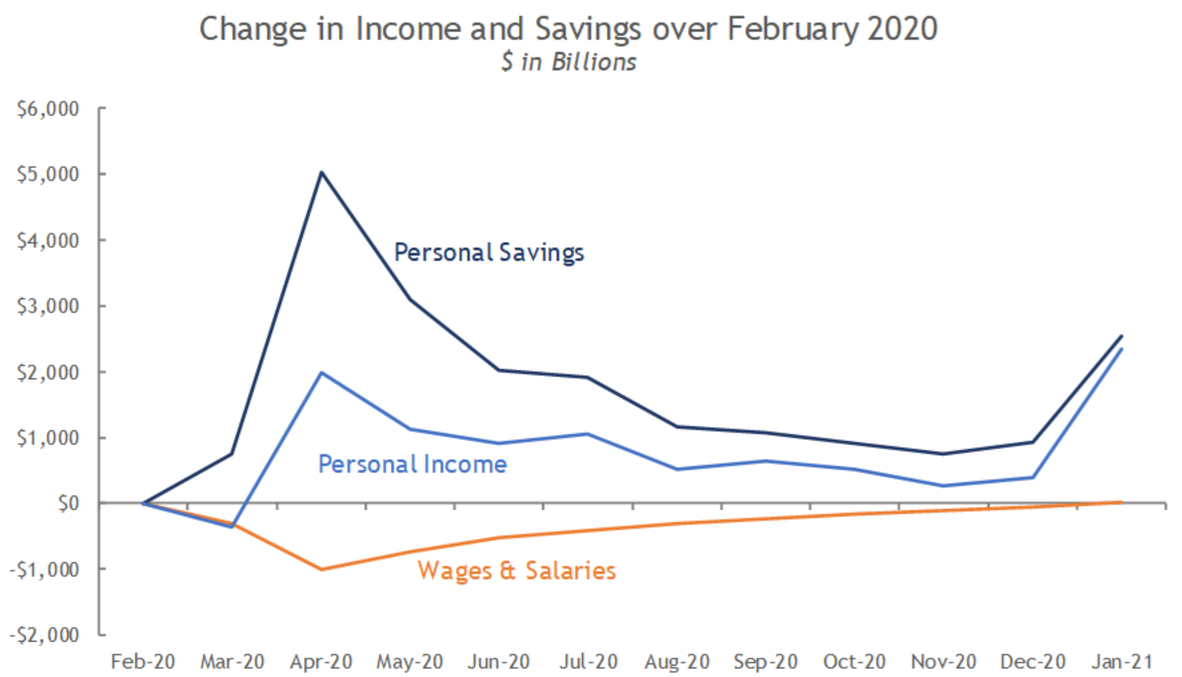
*Percent Change December 2019 - December 2020*




*Source: Colorado Department of Revenue.*

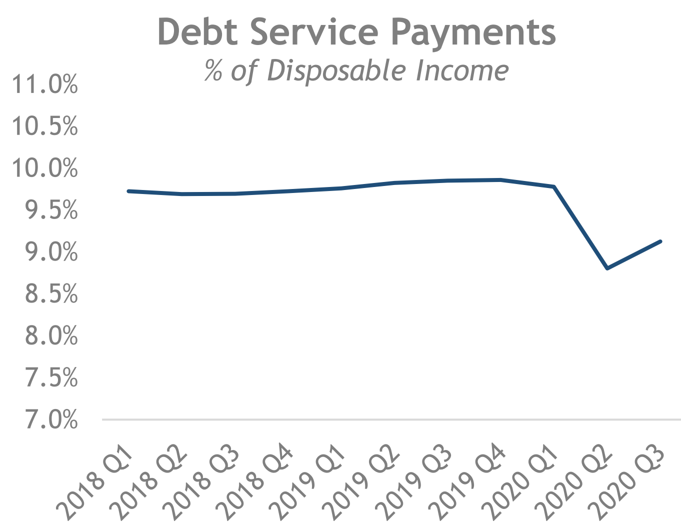
# Household Finances

The continuing economic recovery is reflected in a generally improving picture for household finances. Wages and salaries—the largest component of personal income—continue their upward trajectory and exceeded pre-pandemic levels in January. While that is welcome news, the cumulative loss in wages and salaries is substantial. If the growth observed during 2019 had continued through January 2021, aggregate wages and salaries would have been 3.0 percent higher. Personal income—which includes wages and salaries, interest and dividend income, and government social benefits—has experienced a notable increase in January as a result of another round of stimulus checks. Personal savings, which equal the difference between income and expenditures, rose similarly in January. In aggregate, consumers have accumulated $1.7 trillion in “excess” savings since the pandemic.



Source: Bureau of Economic Analysis.

There are several other indicators that suggest household finances are strong and poised to fuel increased consumer spending. Household debt service levels hit record lows during the pandemic, suggesting that households have more financial room to increase spending as restrictions on business activity are relaxed. Debt service payments account for only 9 percent of disposable income, down from nearly 10 percent before the pandemic. One explanation for this is that many consumers paid down credit card debt as they pared back their typical spending habits during the pandemic. Consumers reduced their credit card debt by 5.3 percent in 2020 compared to 2019—the largest drop in a decade, according to data from the Federal Reserve Bank of New York.



Source: Board of Governors of the Federal Reserve System.

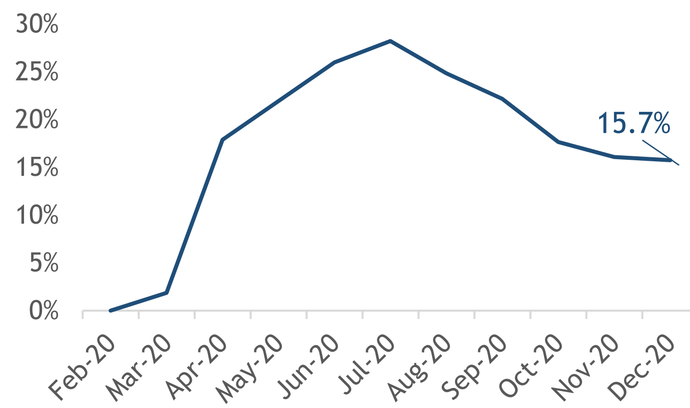
Meanwhile, mortgage debt has grown significantly, with a 4.6 percent increase in 2020—the highest year-over-year growth since 2008. The rising cost of housing and large mortgage payments can be a burden on household budgets, but data show that delinquency rates on mortgages are lower than at any other time in at least 20 years. This is largely due to forbearances and foreclosure moratorium that are giving homeowners more flexibility as the economy recovers. There are several reasons why this growth can be viewed as a positive for economic growth. Credit scores of new mortgage owners have reached historic highs, suggesting relatively low default risk of new homeowners. Rising home values also provide more confidence to consumers regarding their financial position and can lead to higher spending. Additionally, home buying often triggers additional consumer spending as homebuyers purchase furnishings and spend on other home improvements.

While numerous measures of aggregate household finances are strong, many households are struggling financially. As people have lost income, jobs, and health insurance benefits through their employer, enrollment rates have spiked in public assistance programs such as Medicaid. People are eligible for Medicaid if their income is 133 percent of the Federal Poverty Level (FPL) or lower, which equates to $16,980 for a household of one person and $34,848 for a household of four. Since February 2020, enrollment in Colorado's Medicaid program has risen 18 percent, and over 1.4 million Coloradans now rely on Medicaid for health insurance.

Similarly, enrollment in Colorado's Supplemental Nutrition Assistance Program (SNAP) has increased during the pandemic. SNAP helps individuals with lower incomes buy food. Since February 2020, the number of SNAP recipients has increased by nearly 16 percent, and over 255,000 Coloradans are receiving benefits. If not for expanded unemployment insurance benefits during the pandemic, enrollment in SNAP would likely have been higher.

Change in SNAP Enrollment

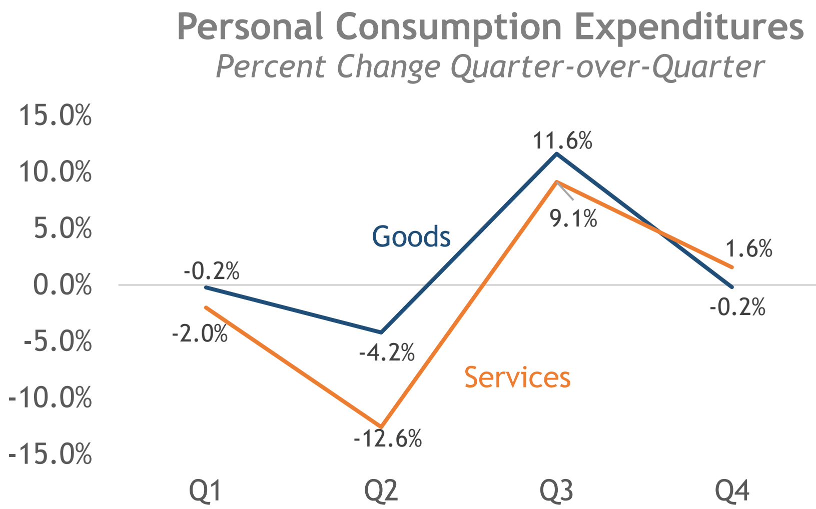
*Percent Change over February 2020*




*Source: Colorado Health Care Policy & Financing.*

# Retail Sales

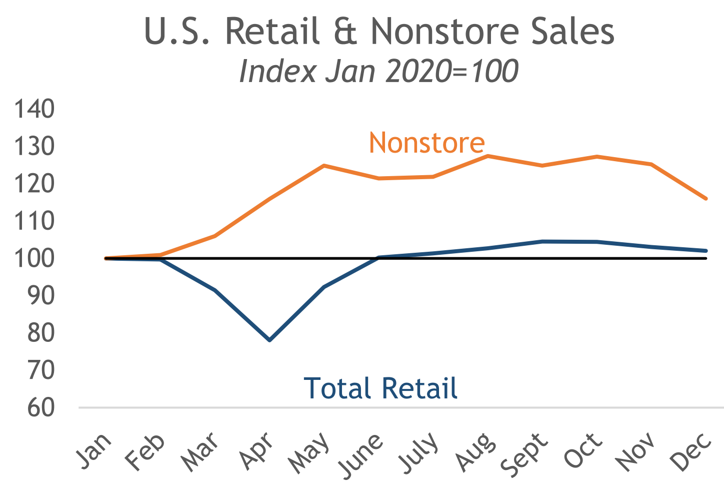
Consumer spending has ebbed and flowed over the past year, bolstered by the large stimulus payments and additional unemployment insurance payments. With many services curbed due to restrictions on in-person contact, consumers continue to spend on goods over services. In the fourth quarter of 2020, spending on goods increased by 6.5 percent, while spending on services declined by 5.0 percent year-over-year. Growth in spending on goods outpaced spending on services three out of the four quarters last year, as shown in the figure below.



Source: U.S. Bureau of Economic Analysis; data seasonally adjusted at annual rates.

In January, U.S. monthly advanced retail sales grew 7.5 percent year-over-year after tepid growth of 2.5 percent in December. Retail spending in January received a boost from the $600 stimulus checks sent to households after the passage of H.R. 133, and is likely to spike again as households receive additional $1,400 stimulus checks from American Rescue Plan in March.

It is still unclear whether larger structural shifts will occur as a result of the pandemic; however, spending at non-store retailers is expected to remain elevated. At the height of shutdowns in 2020, online sales jumped to almost 20 percent of all retail sales in the U.S. and remained around 15 percent thereafter, about 2 percent higher than 2019. This shift may prolong higher unemployment levels, as brick-and-mortar retailers may not have survived shut-downs over the past year or require fewer employees in the near term, which may put some downward pressure on overall consumer spending.



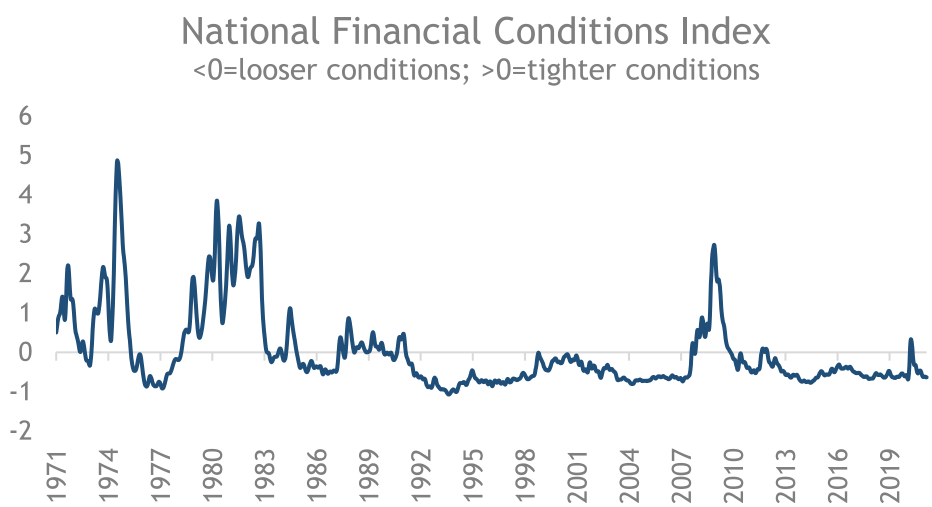
Source: U.S. Census Bureau; data seasonally adjusted.

Throughout 2020, U.S. demand for durable goods, such as motor vehicles, furniture, and electronics, was stronger than expected but is likely to recede in 2021. As the vaccine rollout progresses this year, spending on durable goods will likely shift to spending on restaurants, travel, and other services, as well as nondurable goods such as clothing. A spike in consumer spending is expected during the second half of 2021 but is likely to wear off by the end of the year, resulting in more moderate spending growth in 2022.

In Colorado, retail spending grew 1.9 percent in 2020 over 2019 levels, compared to just 0.4 percent growth at the national level. Despite an uptick in total retail sales, net taxable sales declined by 0.9 percent year-over-year because spending on food for home consumption, which is largely not subject to sales tax, comprised a greater share of total retail sales. As restrictions on in-person dining continue to loosen, spending will shift towards taxable consumption at restaurants. Overall, Colorado retail sales are expected to pick up throughout 2021, bolstered by additional federal stimulus, a lower unemployment rate, and tourism picking back up in late spring and through the rest of the year.

# Financial Conditions

U.S. financial conditions are currently quite favorable, providing fertile ground for economic growth over the coming year as they encourage borrowing and spending by both businesses and individuals. The Federal Reserve Bank of Chicago indexes a combination of market indicators, including credit spreads, interest rates, and equities, to capture overall financial conditions relative to historical norms in their National Financial Conditions Index. Since the federal government's response to the recent economic downturn took hold, the index has been well below zero, indicating better than average financial conditions supportive of growth.




*Source: Federal Reserve Bank of Chicago.*

Expectations of continued fiscal and monetary policy support have led to advantageous financial conditions. Congressional fiscal relief packages have shaped market optimism, leading to equity gains and lower credit spreads, which in turn support business investment. Further, the Federal Reserve has shaped market expectations and used creative monetary tools to keep financing costs down, benefiting corporations and consumers alike.

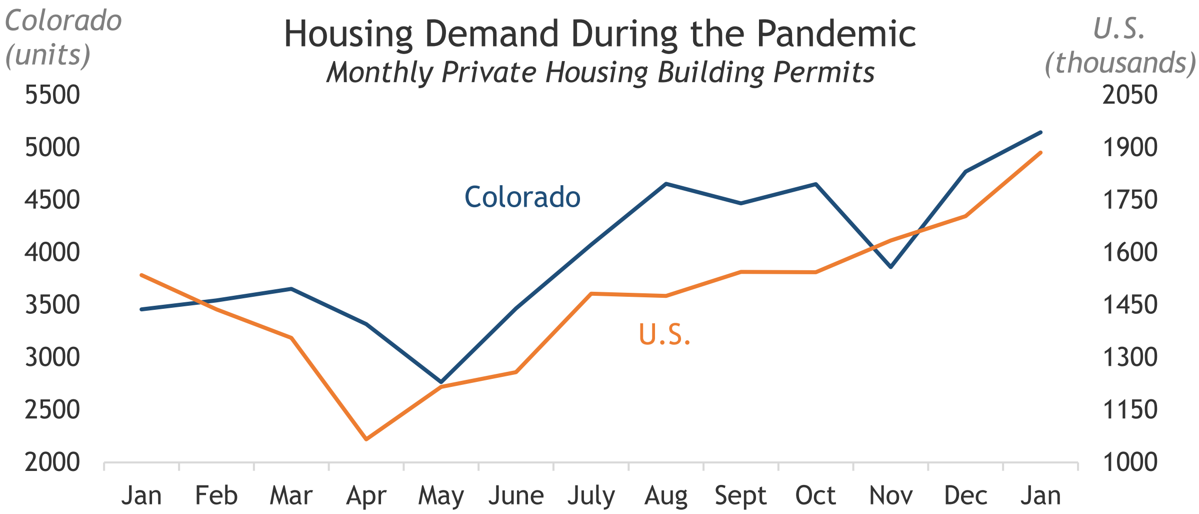
The Federal Reserve responded quickly and successfully at the beginning of the crisis last March by cutting the lower bound of the Federal Funds Rate to zero and increasing the pace of asset purchases to stabilize market conditions. More recently, attention has shifted to concerns over inflation expectations given continued Congressional action. In response, the Fed has consistently communicated in recent months that its short-term goal of supporting full employment takes precedence over inflationary concerns, and it will temporarily allow inflation to exceed the long-term target of 2 percent to achieve that goal.

Supportive monetary policy combined with fiscal action provide a foundation for resurgent growth in the short term. However, in the long run, looser policy and lending practices do pose risks, including potentially inflating asset price bubbles and tempting borrowers to take on too much debt. While there is widespread agreement on the need for looser conditions in the short term, disagreement exists on the size and duration of governmental assistance necessary due to the potential future risks.

# Housing

Low interest rates and strong income growth have bolstered the housing market into 2021, with demand for homeownership in Colorado rising at one of the fastest paces in the country. Construction of new private housing units, a leading economic indicator, has grown at a strong pace since July. Building permits for Colorado increased by 31.0 percent in the second half of 2020 for a total annual growth rate of 11.3 percent. Permit levels continued to climb in January and were 44.5 percent higher than one year ago. With the surge in buyer demand, the builder sentiment index rose to 84 in February, 13.5 percent higher than the previous year and well above pre-pandemic levels.

Housing prices are expected to remain high as strong demand has resulted in tight inventories and higher prices across the state. According to early March counts tracked by the U.S. Census Bureau, the number of homes available for sale has never been lower. The lack of inventory remains the biggest challenge for the housing market moving forward. Home listings decreased by 13.1 percent in January and further declined by 9.4 percent in February while sold listings marginally increased by 0.3 percent and 2.8 percent respectively relative to a year ago. The median number of days a listing in metro Denver remained on the market before completing a sale was down to five days in February (compared to fifteen days in February 2020). Long-term mortgage rates, another driver of demand, have seen incremental increases in 2021 but remain at relatively low levels (just above 3.0 percent in mid-March), incentivizing potential buyers to enter the market.




*Source: U.S. Census Bureau; data seasonally adjusted at annualized rates.*

Rent collections remain strong as Colorado landlords have received more full rent payments than any other state throughout 2020 with 95 percent of renters paying on time as of February 28th, continuing to outperform national rent payments in every month since April. Policy interventions – such as the expanded unemployment insurance benefits, federal economic relief payments, and forbearance provisions – intended to relieve the burden on households from debt and bill payment and lost employment income have helped keep mortgage delinquency rates just 2 percentage points above normal.

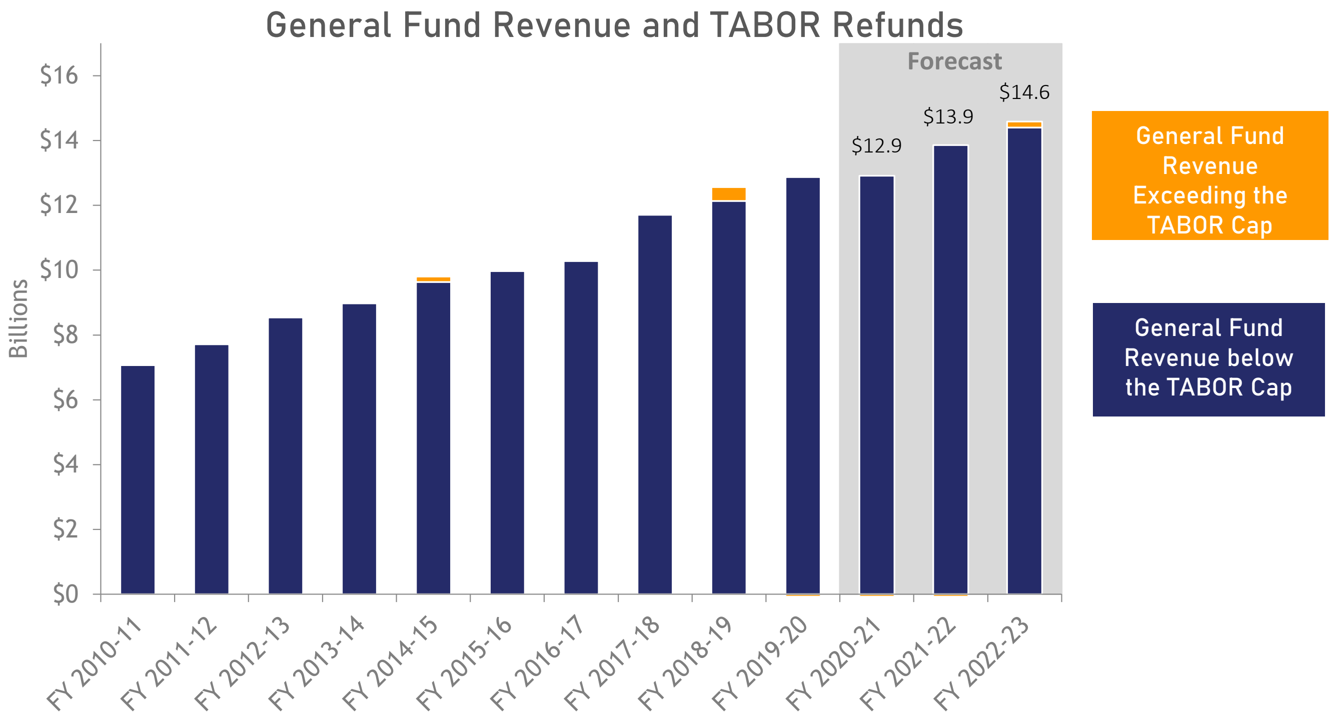
Colorado's eviction filings are at an all-time low, with January levels reaching only 11 percent of the previous year's amount and February levels down 79.4 percent relative to 2020. Eviction moratoriums and federal income supplements led to an abrupt decline in filings after March 2020 causing monthly eviction filings to be well below pre-pandemic levels. $54 million dollars of state emergency funds was distributed through existing state programs in early December to provide Coloradans rent and mortgage relief. The level of available aid for residents is about to spike further as Colorado recently received an additional $247 million for statewide rental and utility assistance from the federal government.

# Forecast Risks

There is downside risk to the forecast as higher contagion rates for virus variants could slow reopening altogether. As the economy does reopen, continued labor market misalignment and possible supply chain disruptions may be a drag on further growth. Certain industries continue to be disproportionately harmed by the pandemic recession, especially low-wage and service-sector industries. Overall, however, the risks to the forecast are balanced to the upside as household finances and financial conditions are historically strong and poised to accelerate the recovery as vaccine distribution continues.

# Revenue Outlook – General Fund

General Fund revenue is projected to increase by 0.3 percent in FY 2020-21 before growing by 7.3 percent in FY 2021-22. It is expected to further increase by 5.2 percent in FY 2022-23. Since December, the GF revenue forecast has been revised upward by a total of $1.46 billion for FY 2020-21 through FY 2022-23.



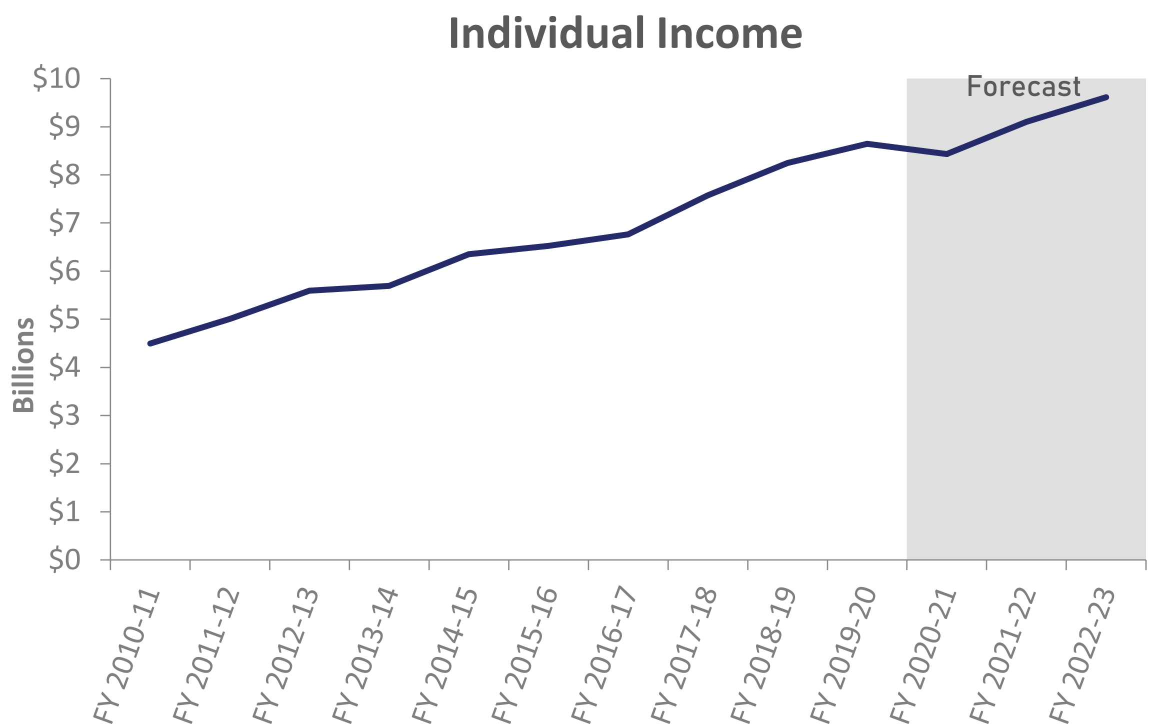

The upward revision to the forecast is due to higher than anticipated revenue collections in recent months, especially attributable to corporate income taxes and individual income taxes, two of the largest revenue sources for the general fund, as well as improved economic expectations with the availability and distribution of vaccines.

Three major revenue sources together make up about 94.3 percent of total General Fund revenue: individual income taxes, corporate income taxes, and sales and use taxes. General Fund revenue from the other remaining General Fund sources, such as interest earnings, taxes paid by insurers on premiums, and excise taxes on tobacco products and liquor, make up the remaining 5.7 percent.

# Individual Income Tax

Following a 4.8 percent increase in FY 2019-20, individual income tax is projected to decline in FY 2020-21 by 2.4 percent, or $211.7 million. This is an upward revision compared to the December 2020 forecast, which projected a 7.2 percent decline.

The largest component of individual income tax revenue is withholdings, and receipts for the current fiscal year through February are strong. Withholdings are 11.5 percent higher than the same point in 2020 (before the pandemic). This is consistent with national trends showing that wages and salaries for this fiscal year are higher than in FY 2019-20. Additionally, unemployment insurance benefits grew dramatically since the pandemic began, and withholdings from those benefits have boosted FY 2020-21 withholdings by approximately three percent.




At the same time, refunds are projected to grow substantially, as they usually do during economic slowdowns. Taxpayers who experience unexpected income losses may move to a lower tax bracket and often get a tax refund.

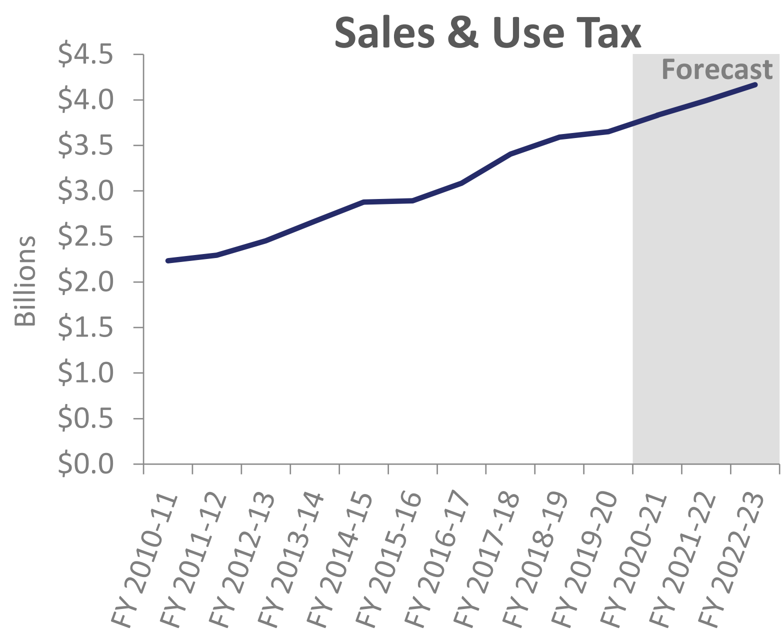
Individual income tax revenue is forecast to grow in FY 2021-22, with a 7.9 percent increase. This is a strong rebound from the pandemic-induced recession, but the revenue is still below the December 2019 forecast for FY 2021-222019, and the growth rate is lower than that observed in FY 2017-18 (12.1 percent growth) and FY 2018-19 (8.8 percent growth). In FY 2022-23, we forecast a 5.6 percent increase in individual income tax revenue.

# Corporate Income Tax

Corporate income tax collections fell to $728.3 million in FY 2019-20, which is a 20.8 percent reduction from FY 2018-19. Some of this decline was anticipated because of an unusually large settlement agreement with a delinquent taxpayer. However, despite the COVID pandemic and a recent federal relief bill allowing for business expense deductions, corporate income tax receipts are expected to grow by 12.4 percent in FY 2020-21. One major reason for the growth is that there has been a shift towards corporate retailers over the past year, who are in a better position to succeed in the current climate. As conditions begin to normalize and larger corporate tax write-offs will be available in FY 2021-22, revenue is expected to fall by less than 2 percent before moderate growth in corporate income tax revenue resumes.

# Sales and Use Taxes

Sales tax revenue grew 4.7 percent in FY 2019-20 and is expected to grow by 4.2 percent in FY 2020-21 before holding steady at 4.3 percent growth in FY 2021-22 and FY 2022-23. Relative to the December forecast, the projection for FY 2020-21 was revised downward about $60 million to $3.331 billion. The projections for FY 2021-22 and FY 2022-23 were revised downward by $29.4 million and $49.7 million, respectively; however sales tax is still expected to remain strong both years.




The downward revision to FY 2020-21 accounts for tepid growth year-to-date through February on weak holiday spending and a smaller bounce back projected this spring, since Colorado's sales tax collections only dipped in April and May last year. Additionally, with the vaccine rollout progressing, this forecast expects some tradeoff between spending on goods and services as people begin to feel more comfortable retuning to gyms, salons, and other in-person services that are not subject to sales tax.

Sales tax revenue growth through February 2021 is lower due in part to the impacts from the COVID-19 pandemic, but also as a result of higher collections during FY 2019-20 from the impacts of the out-of-state sales tax collections codified by HB 19-1240. During FY 2019-20, the Department of Revenue estimates that an additional $79.3 million was collected in "new" sales tax revenue resulting from these changes. This new revenue grew by 124 percent from the first month of the fiscal year to the last month of the fiscal year, resulting in high levels of sales tax growth. As this "new" revenue becomes part of the sales tax base, its growth has slowed down, resulting in sales tax revenue growth that has been artificially lowered from a higher base.

The upside risk to the forecast includes higher than expected spending on goods, as pent-up demand is realized and people spend down the savings they have accumulated over the past year. The take-up of HB 20B-1004, which allows for restaurants, bars, and mobile food services to deduct a portion of their net taxable sales for four months, has come in lower than projected – about $15 million in November and December combined, as opposed to the initial estimate of at least $10 million per month.

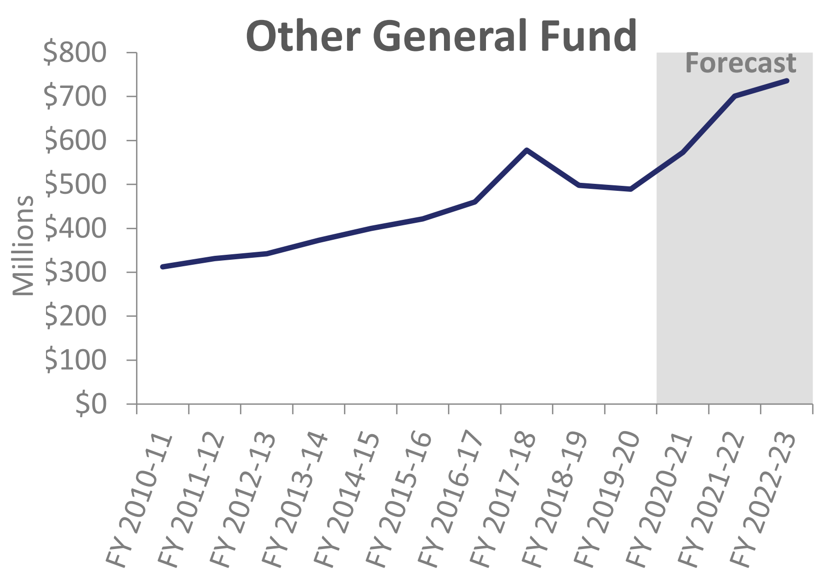
Use tax revenue declined by 39.1 percent to $210.5 million in FY 2019-20 and is expected to decline another 2.4 percent to $205.4 million in FY 2020-21. This projection is a downward revision of $14.6 million from December's forecast due to weaker than expected revenues in recent months. Further, it is expected that use taxes will continue to decline very slightly to $203.5 million in FY 2021-22 prior to regaining a positive trajectory to $210.0 million in FY 2022-23.

The drastic decline in FY 2019-20 is due largely to the increase in collection of out-of-state sales taxes, noted above, through the implementation of House Bill 19-1240. Similarly, this trade-off between sales and use tax collections has likely been a factor in the continued decline in FY 2020-21. It is expected that this effect will level off over the course of FY 2021-22, hence the return to steadily increasing use tax revenues in FY 2022-23.

After a 27.4 percent increase to $245.5 million in FY 2019-20, the 15 percent special sales tax on marijuana retail sales is projected to increase by 20.4 percent to $295.6 million in FY 2020-21. Growth will continue at 7.0 percent in FY 2021-22. Further analysis of marijuana tax collections can be found in the Revenue Outlook – Cash Funds section of this report.

# Other General Fund Revenue

Other General Fund revenue excise taxes on cigarettes, tobacco, nicotine, and liquor, as well as insurance revenue and interest income. Other General Fund revenue is expected to increase by 17.1 percent in FY 2020-21, followed by growth of another 22.3 percent in FY 2021-22. For FY 2020-21 in particular, this is a minor revision downward from the December forecast due to lower than expected cigarette revenues in recent months.

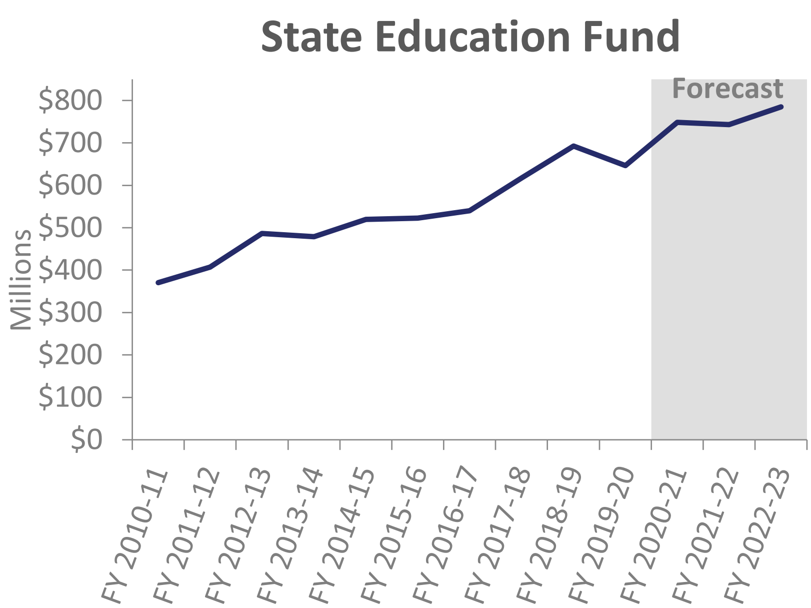



The increases over the FY 2019-20 forecast for FY 2020-21 and FY 2021-22 are largely due to additional revenues resulting from the approval of Proposition EE. Proposition EE, a ballot measure approved in November, imposes additional taxes on cigarettes and other tobacco products and creates a tax on other nicotine products such as e-cigarettes. Specifically, Proposition EE adds a tax of $1.10 per pack of cigarettes, more than doubling the current tax of

$0.84 per pack. In addition, Proposition EE increases the tax on other tobacco products by 10 percent from 40 percent of manufacturer's list price (MLP) to 50 percent of MLP. Finally, Proposition EE creates a tax on other nicotine products, starting at 30 percent of MLP and increasing to 50 percent of MLP by the end of this forecast period (FY 2022-23). Through FY 2022-23, revenue from the Proposition EE-imposed taxes is largely transferred to the State Education Fund, with smaller amounts going to the Rural Schools Cash Fund, the Housing Development Grant Fund, the Tobacco Tax Cash Fund, the Eviction Legal Defense Fund, and the Preschool Programs Cash Fund. Looking past FY 2022-23, Proposition EE increases each of these taxes and will generate additional revenue for the state going forward. Starting in FY 2023-24, these funds will be transferred almost entirely into the Preschool Programs Cash Fund and the Tobacco Education Programs Fund.

## State Education Fund

Revenue to the State Education Fund from income taxes fell by 6.7 percent in FY 2019-20 but is expected to increase 15.7 percent in FY 2020-21 and decline 0.7 percent in FY 2021-22. This does not include transfers from other funds. The forecast for State Education Fund revenue in FY 2021-22 has been revised upward from the December forecast in conjunction with the revisions to the forecasts for individual and corporate income tax collections.




The Colorado Constitution requires that 1/3 of 1 percent of Colorado taxable income be credited to the State Education Fund. As the State Education Fund revenue is derived from taxable income, it generally follows the trends in individual income and corporate income tax revenue collections. However, the State Education Fund deviates from income tax trends in FY 2020-21 due to the impact of a delayed transfer incurred from FY 2019-20 revenue collections.

# Revenue Outlook – Cash Funds

Cash funds are taxes, fees, fines, and interest collected by various State programs to fund services and operations. These revenue sources are designated by statute for a particular program and as such are distinct from General Fund revenue, which is available for general purpose expenditures. The following discussion highlights those cash fund revenues that are subject to TABOR.

Total cash fund revenue subject to TABOR was $2.2 billion in FY 2019-20, a decrease of 8.3 percent from the prior fiscal year. In FY 2020-21 cash fund revenue is projected to increase by 1.2 percent to $2.3 billion then growing again at an increased rate of 6.3 percent in FY 2021-22.

## Transportation

Transportation-related cash fund revenue fell by 6.1 percent in FY 2019-20, and is expected to decline by 0.9 percent in FY 2020-21. The forecast for FY 2020-21 has been revised downward since December. Motor fuel tax revenue, which typically account for over half of all Highway Users Cash Fund revenue, has come in lower than expected over the winter months on higher COVID cases in November and December as well as ongoing subdued commuting travel. Motor fuel taxes are expected to pick up in FY 2021-22 on increased tourism into the state and a return to offices. Strong vehicle purchases have helped bolster registration-related collections, which are expected to rebound during FY 2021-22 and pick up speed in FY 2022-23. Total transportation revenue is forecast to grow by 3.7 percent in FY 2021-22 and by 2.0 percent in FY 2022-23.

| Transportation Revenue | Preliminary FY 19-20 | Forecast FY 20-21 | Forecast FY 21-22 | Forecast FY 22-23 |
|---|---|---|---|---|
| **Highway Users Tax Fund (HUTF)** | | | | |
| Motor and Special Fuel Taxes | **$624.5** | **$615.8** | **$640.1** | **$646.2** |
| Change | -4.6% | -1.4% | 3.9% | 0.9% |
| Total Registrations | **$381.8** | **$387.7** | **$395.0** | **$401.3** |
| Change | -0.2% | 1.5% | 1.9% | 1.6% |
| *Registrations* | *$227.0* | *$230.0* | *$235.7* | *$239.7* |
| *Road Safety Surcharge* | *$134.0* | *$137.3* | *$138.5* | *$140.8* |
| *Late Registration Fees* | *$20.9* | *$20.4* | *$20.7* | *$20.9* |
| Other HUTF | **$63.0** | **$62.1** | **$64.8** | **$66.9** |
| Change | -11.5% | -1.4% | 4.3% | 3.2% |
| **Total HUTF** | **$1,069.4** | **$1,065.6** | **$1,099.9** | **$1,114.4** |
| Change | -3.6% | -0.4% | 3.2% | 1.3% |
| **Non-HUTF** | | | | |
| State Highway Fund | **$27.5** | **$28.6** | **$25.2** | **$25.8** |
| Change | -30.9% | 3.8% | -11.9% | 2.3% |
| Other Transportation Funds | **$101.4** | **$92.7** | **$105.8** | **$115.7** |
| Change | -20.4% | -8.5% | 14.1% | 9.3% |
| **Total Transportation Revenue** | **$1,198.2** | **$1,186.9** | **$1,230.9** | **$1,255.8** |
| Change | -6.1% | -0.9% | 3.7% | 2.0% |

Transportation-related cash funds include the Highway Users Tax Fund (HUTF), the State Highway Fund (SHF), and a number of smaller cash funds. The primary revenue sources for the largest portion of transportation cash funds is the HUTF, which is comprised mainly of motor fuel taxes and registration fees. The table below illustrates HUTF distributions based on the first and second stream allocation formulas with the current forecast for HUTF revenue. Off-the-top deductions for Colorado State Patrol include the FY 2020-21 appropriation, the FY 2021-22 budget request, and is held flat in FY 2022-2023.

| HUTF Revenue Distributions | Forecast FY 20-21 | Forecast FY 21-22 | Forecast FY 22-23 |
|---|---|---|---|
| Off-the-Top Deductions | $163.5 | $171.8 | $171.8 |
| State Highway Fund (CDOT) | $557.6 | $573.6 | $582.7 |
| Counties | $211.6 | $217.6 | $221.1 |
| Cities | $132.9 | $136.8 | $138.7 |
| **Total HUTF Distribution** | **$1,065.6** | **$1,099.9** | **$1,114.4** |

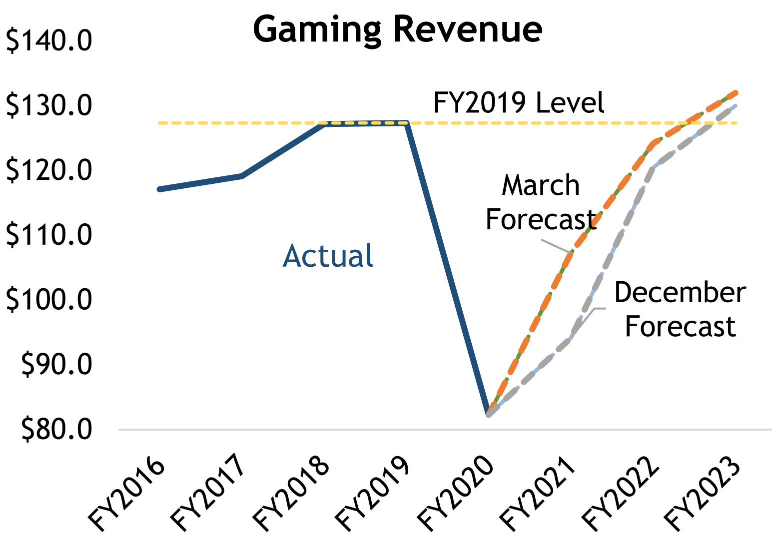
# Limited Gaming

After a steep decline of 34.2 percent in FY 2019-20 due to COVID-related public health closures and operating restrictions, limited gaming revenue is expected to grow 30 percent to $107.2 million in FY 2020-21 due continued resiliency in gaming revenue in recent months despite continued public health restrictions through the winter. In addition, increased certainty regarding the COVID-19 vaccine and the resultant lifting of capacity restrictions at casinos has elevated expected gaming revenue in FY 2021-22.

| Distribution of Limited Gaming Revenues | Preliminary FY 19-20 | Forecast FY 20-21 | Forecast FY 21-22 | Forecast FY 22-23 |
|---|---|---|---|---|
| **A. Total Limited Gaming Revenues (Includes Fees and Interest)** | **$82.3** | **$107.2** | **$124.1** | **$132.0** |
| Annual Percent Change | -34.2% | 30.3% | 15.8% | 6.3% |
| | | | | |
| **B. Gaming Revenue Exempt from TABOR (Extended Limited)** | **$13.1** | **$19.7** | **$20.4** | **$20.7** |
| Annual Percent Change | -26.9% | 50.3% | 3.3% | 1.6% |
| | | | | |
| **C. Gaming Revenue Subject to TABOR** | **$69.1** | **$87.5** | **$103.7** | **$111.2** |
| Annual Percent Change | -35.4% | 26.5% | 18.6% | 7.2% |
| | | | | |
| **D. Total Amount to Base Revenue Recipients** | **$50.4** | **$73.9** | **$89.8** | **$97.2** |
| Amount to State Historical Society (28%) | $14.1 | $20.7 | $25.1 | $27.2 |
| Amount to Counties (12%) | $6.0 | $8.9 | $10.8 | $11.7 |
| Amount to Cities (10%) | $5.0 | $7.4 | $9.0 | $9.7 |
| Amount to Distribute to Remaining Programs (State Share) (50%) | $25.2 | $36.9 | $44.9 | $48.6 |
| Amount to Local Government Impact Fund | $0.0 | $0.0 | $5.4 | $5.8 |
| Colorado Tourism Promotion Fund | $0.0 | $0.0 | $15.0 | $15.0 |
| Creative Industries Cash Fund | $0.0 | $0.0 | $2.0 | $2.0 |
| Film, Television, and Media Operational Account | $0.0 | $0.0 | $0.5 | $0.5 |
| Advanced Industries Acceleration Fund | $0.0 | $0.0 | $5.5 | $5.5 |
| Innovative Higher Education Research Fund | $0.0 | $0.0 | $2.1 | $2.1 |
| Transfer to the General Fund | $25.2 | $36.9 | $14.4 | $17.7 |
| | | | | |
| **E. Total Amount to Amendment 50 Revenue Recipients** | **$15.2** | **$16.7** | **$17.7** | **$18.1** |
| Community Colleges, Mesa and Adams State (78%) | $11.9 | $13.0 | $13.8 | $14.1 |
| Counties (12%) | $1.8 | $2.0 | $2.1 | $2.2 |
| Cities (10%) | $1.5 | $1.7 | $1.8 | $1.8 |

With these revised expectations, gaming revenue is expected to nearly reach nominal pre-pandemic revenue of $125 million by FY 2021-22 and is expected to exceed $125 million in FY 2022-23. Given the consistency in gaming revenue, the vaccine timeline, and the resilience in gaming revenue in recent months despite public health restrictions, there is little downside risk to this forecast. On the upside, it is possible that further loosening of capacity restrictions and pent up demand could boost gaming revenue above forecast amounts.

In addition to the revisions to the gaming revenue forecast as a result of COVID-related phenomena, we also expect a slight upward revision to gaming revenues starting in FY 2021-22 due to the recent Amendment 77 legislation allowing gaming counties to raise maximum bets and expand games. Since the December forecast, all three major gaming counties in Colorado have voted on and passed the measure. Accordingly, it is expected that this will have a minor ($2-$5 million) positive effect on gaming revenue going forward. Expectations for this effect will be revised in future forecasts if needed. The chart on the left compares the March and December forecasts for gaming revenue.



*Source: Colorado Department of Revenue; Division of Gaming.*

## Severance

Low year-to-date collection levels, high ad valorem tax credit claims and nearly three quarters of reduced market activity due to COVID-19 related disruptions have weighed heavy on severance tax collections in FY 2020-21. Severance tax revenue fell to $131.7 million in FY 2019-20 and is expected to decline further in FY 2020-21 to negative $6.9 million. This projection has been revised downwards from the December forecast by $32.6 million for the current fiscal year, due largely to refunds issued since the last forecast.

Production in Colorado remains constrained, with only 7 rigs active in the state at the end of February, down from 25 during the same period in 2019.[2] Extraction activity is anticipated to increase in FY 2021-22 as a stronger economy emerges from the pandemic, supporting industrial growth and reducing the oil demand gap. Rising confidence in vaccine rollouts and the economic recovery have bolstered recent market prices and future expectations, reaching to levels that once again incentivize production activity.[3] These expectations support a more positive outlook for collection levels during the outer years of the forecast, with projected revenue increasing to $61.3 million in FY 2021-22 and $92.9 million in FY 2022-23. These figures have been revised upward by $8.3 million and $18.2 million in those years, respectively.

[2] Anderson Rig Report

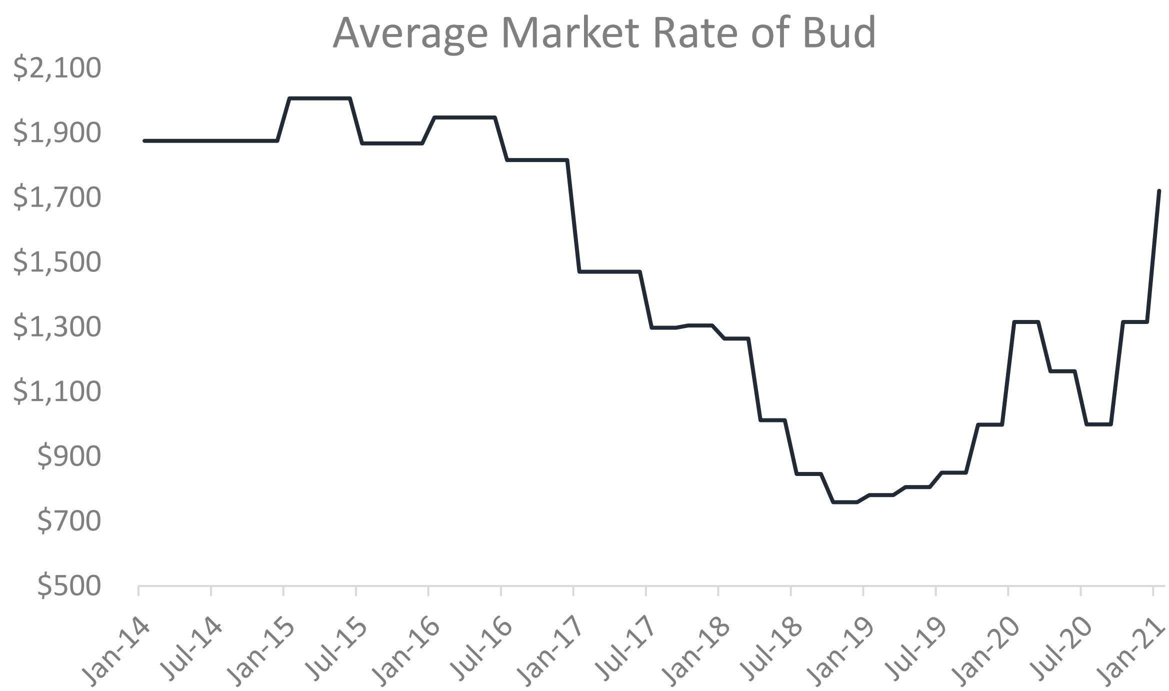
[3] International Energy Agency (EIA)

# Marijuana

Marijuana taxes grew 32.4 percent overall in FY 2019-20, totaling $347.3 million at year-end. The prominent increase in marijuana revenue over previous years was primarily driven by high sales after the start of the pandemic, in May and June. Since then record sales of marijuana have continued throughout the fall and winter in both the adult-use retail and medical categories. In fact, sales of adult-use retail marijuana have set monthly records in each month for which we have data since the pandemic began, April through December 2020. Similarly, medical sales have also been above record monthly levels for six out of the nine months of data since the start of the pandemic. As a result, total marijuana tax revenue is expected to continue to increase in FY 2020-21 to $426.4 million, up $16.2 million from the December forecast and an increase of 22.8 percent over FY 2019-20. Additionally, marijuana revenue is expected to grow to $455.4 million in FY 2021-22 and $476.3 million in FY 2022-23, increases of 6.8 percent and 4.6 percent respectively.

| Tax Revenue from the Marijuana Industry | Actual FY 19-20 | Forecast FY 20-21 | Forecast FY 21-22 | Forecast FY 22-23 |
|---|---|---|---|---|
| **Proposition AA Taxes** | | | | |
| Retail Marijuana 15% Special Sales Tax | $245.5 | $295.6 | $316.3 | $333.7 |
| Retail Marijuana 15% Excise Tax | $88.5 | $115.9 | $124.0 | $127.5 |
| **Total Proposition AA Taxes** | **$334.0** | **$411.5** | **$440.3** | **$461.2** |
| | | | | |
| **2.9% Sales Tax & Interest (Subject to TABOR)** | | | | |
| Medical Marijuana 2.9% State Sales Tax | $11.7 | $13.0 | $13.1 | $13.3 |
| Retail Marijuana 2.9% State Sales Tax | $1.3 | $1.6 | $1.6 | $1.5 |
| Interest Earnings | $0.3 | $0.3 | $0.4 | $0.4 |
| **Total 2.9% Sales Taxes & Interest** | **$13.3** | **$15.0** | **$15.1** | **$15.2** |
| | | | | |
| **Total Marijuana Taxes** | **$347.3** | **$426.4** | **$455.4** | **$476.3** |

Record sales of marijuana and continued upward revisions to the marijuana revenue expectations are due to a number of factors, on both the supply and demand sides. On the demand side, growth in the marijuana market in Colorado seems to be driven by two factors: (1) expansion of the consumer base and (2) higher average transaction size for existing consumers.




*Source: Colorado Department of Revenue.*

As a result of the significant increase in cannabis demand, suppliers have increased prices as production lags demand. Notably, after relatively consistent declines since 2015, the average market rate is currently at $1,721, its highest level since December 2016. However, it is expected that these supply-side impacts will level-off, as the spike in demand brought new participants into the market and will eventually drive the price back down to pre-pandemic levels. Still, it is expected that growth will continue in marijuana tax revenue due to the market demand factors discussed above, albeit at lower rates than are currently being seen.

The revenue from the 15 percent special sales tax goes to the General Fund, the Marijuana Tax Cash Fund, local governments, and the Public School Fund. Proposition AA also included an excise tax of 15 percent on retail marijuana sales that is credited to public school cash funds. The forecasted distribution of marijuana tax revenue is shown in the table below.

| Fiscal Year | Total Marijuana Revenue | Local Share | General Fund | BEST School Capital Construction | Public School Permanent Fund | Public School Fund | Marijuana Tax Cash Fund |
|---|---|---|---|---|---|---|---|
| FY 2019-20 Actual | $347.3 | $24.5 | $34.4 | $88.5 | $0.0 | $27.8 | $172.1 |
| FY 2020-21 Projected | $426.4 | $29.6 | $41.4 | $40.0 | $0.0 | $109.4 | $206.1 |
| FY 2021-22 Projected | $455.3 | $31.6 | $44.3 | $124.0 | $0.0 | $35.8 | $219.6 |
| FY 2022-23 Projected | $476.3 | $33.4 | $46.7 | $127.5 | $0.0 | $37.8 | $230.9 |

# Federal Mineral Lease

Federal Mineral Lease (FML) revenue decreased by 44.9 percent to $62.7 million in FY 2019-20. This decrease is largely explained by the enactment of a Routt County coal mine royalty rate reduction (granted by the Bureau of Land Management) coupled with the effects of lower natural gas and oil prices. The economic downturn brought by the COVID-19 pandemic and oversupply across oil and gas markets induced heavy production cuts during this fiscal year. With little extraction activity taking place, FML revenue in Colorado is expected to decrease further by 3.4 percent to $60.6 million in FY 2020-21. This projection has been revised downward slightly since the December forecast by approximately $1.5 million.

New expectations for a faster recovery of global oil demand paired with stronger oil and gas price forecasts have led to a more positive outlook for FY 2021-22 and FY 2022-23 relative to December. Oil and gas prices are anticipated to remain at levels that incentivize production activity across the state. Subsequently, collection levels are projected to rebound gradually as prices stabilize and bolster mineral industries. Royalties collected in FY 2021-22 and FY 2022-23 is forecast to increase by 21.3 percent and 9.2 percent in those years, respectively.

| FML Forecast Distribution Table | Preliminary FY20 | Forecast FY21 | Forecast FY22 | Forecast FY23 |
|---|---|---|---|---|
| **Total FML Revenue** | **62.74311** | **60.61558** | **73.51568** | **80.24538** |
| Change | -44.9% | -3.4% | 21.3% | 9.2% |
| | | | | |
| **Bonus Payments (portion of total FML revenue)** | 1.88229 | 0.43747 | 1.74217 | 0.93261 |
| Local Government Perm Fund | 0.93193 | 0.21873 | 0.87109 | 0.46631 |
| Higher Ed FML Revenues Fund | 0.93193 | 0.21873 | 0.87109 | 0.46631 |
| | | | | |
| **Other (non-bonus) FML Revenue** | 60.86082 | 60.17811 | 71.77351 | 79.31277 |
| State Public School Fund | 29.10789 | 29.06603 | 34.66660 | 38.30806 |
| Colorado Water Conservation Board | 6.02648 | 6.01781 | 7.17735 | 7.93128 |
| DOLA Grants | 12.05296 | 12.03562 | 14.35470 | 15.86255 |
| DOLA Direct Distribution | 12.05296 | 12.03562 | 14.35470 | 15.86255 |
| School Districts | 1.02450 | 1.02303 | 1.22015 | 1.34832 |
| Total HiEd FML Rev Fund | 0.93193 | 0.21873 | 0.87109 | 0.46631 |

While FML revenue is exempt from TABOR, it is included here because a portion of the money is distributed to the Public School Fund, where it is used for the State's share of K-12 school finance.

# Other Cash Funds

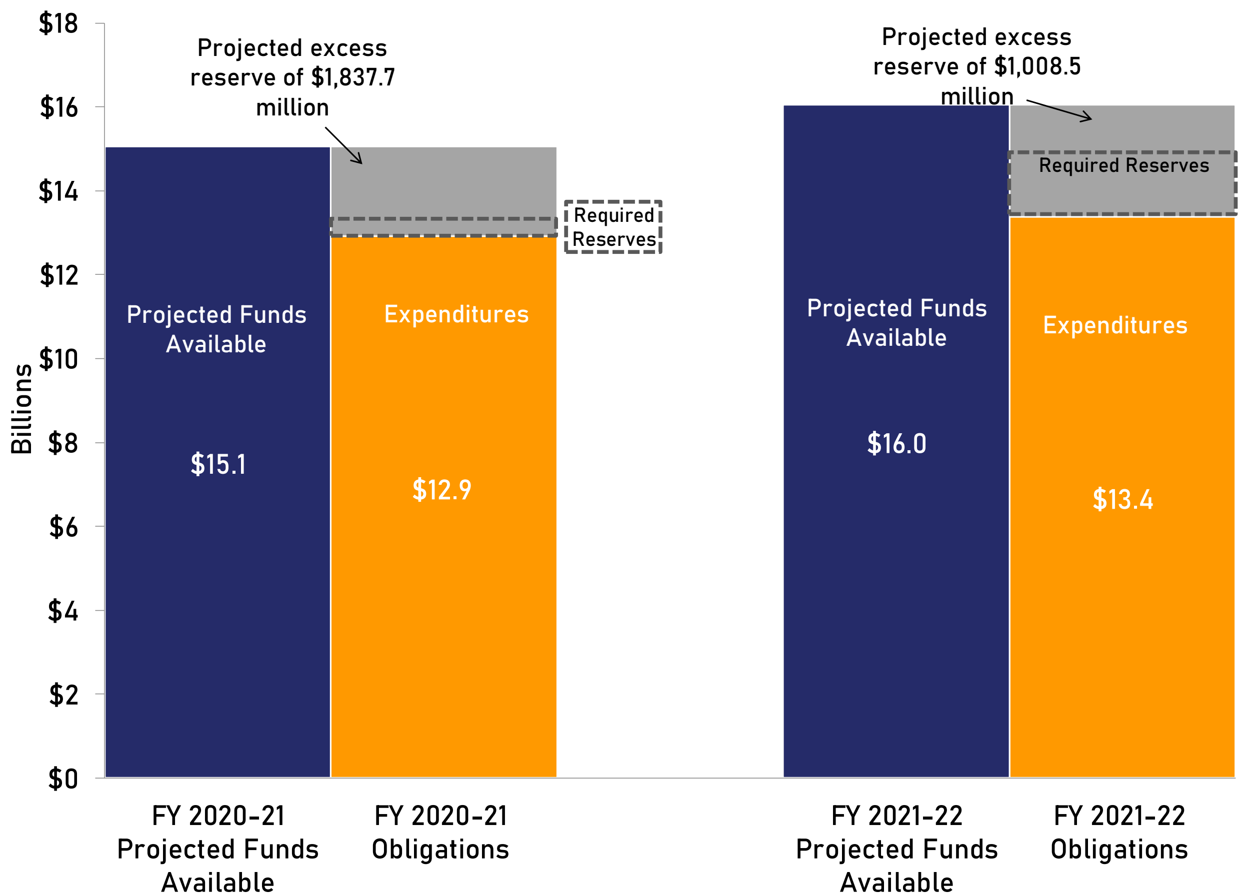
The State receives revenue from a variety of other cash funds as well. This includes cash fund revenue to the Department of Regulatory Agencies (DORA), which is projected to increase approximately 10 percent to $89.2 million in FY 2020-21. Insurance-related cash fund revenue is obtained largely from a surcharge on workers' compensation insurance and has been adjusted upward on expectations of a slight increase in the workers' compensation insurance industry in the current year. The forecasted revenue is $23.7 million in FY 2020-21, with a 7.6 percent decrease in FY 2021-22 to $21.9 million.

Finally, the "Other Miscellaneous Cash Funds" category includes revenue from over 300 cash fund programs which collect revenue from fines, fees, and interest earnings. This broad category is less sensitive to general economic conditions than revenue sources like income and severance taxes. The miscellaneous cash fund forecast has been revised upward to $879.8 million in FY 2020-21, which is 21.3 percent higher than the December 2020 forecast. Receipts through January 2021 are very strong, and even 5 percent higher than this time last year, before the pandemic. The decline in receipts observed in several large cash funds related to judicial proceedings has reversed, and miscellaneous cash funds are on pace for are large year-over-year increase.  Revenue in FY 2021-22 is projected to grow 1.6 percent to $893.9 million.

# Budget Outlook

## General Fund

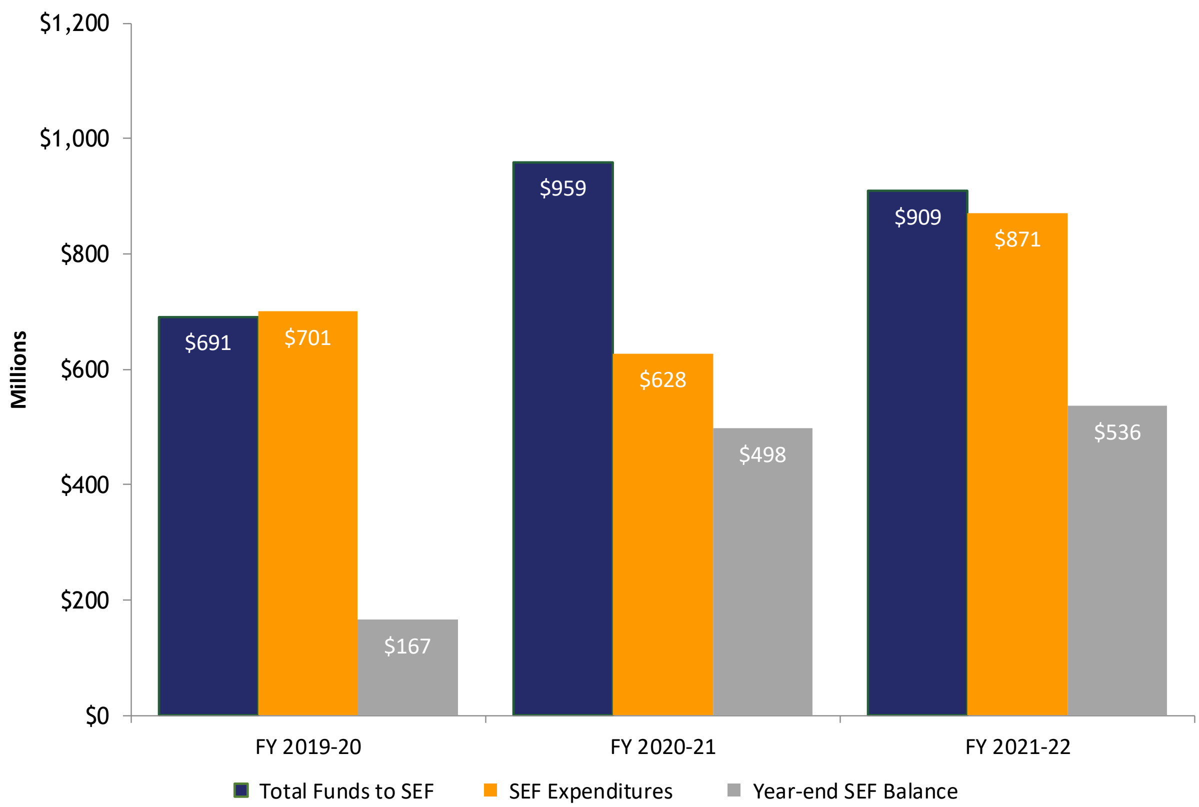
General Fund revenue increased 2.4 percent in FY 2019-20 and is projected to increase 0.3 percent in FY 2020-21 before growing 7.3 percent in FY 2021-22 and 5.2 percent in FY 2022-23. General Fund revenue for FY 2020-21 is $425.0 million, or 3.4 percent, higher than was estimated in December, as the pace of the economic recovery is exceeding expectations. The forecast for FY 2021-22 is $390.6 million, or 2.9 percent, higher than estimated in December.




The General Fund reserve was above the required statutory reserve amount of 3.1 percent of appropriations in FY 2019-20. The Governor has proposed an increase in the General Fund reserve to 13.5 percent of appropriations in FY 2021-22. Under this forecast, the General Fund ending balance is projected to be $1,008.5 million above this proposed reserve level. The chart above summarizes total projected General Fund revenue available, total obligations, and reserve levels for FY 2020-21 and FY 2021-22 under the Governor's January budget request.

# State Education Fund

The State Education Fund's year-end balance was $166.7 million in FY 2019-20 and is projected to increase to $498.0 million in FY 2020-21, including transfers. The figure below summarizes total State Education Fund revenue, expenditures, and ending balances for FY 2019-20, FY 2020-21, and FY 2021-22.




# Forecast Risks

This budget outlook is based on OSPB's economic forecast as detailed in Tables 1 and 2 of the Reference Tables at the end of this document. This economic forecast is subject to both upside and downside risks.

On the upside, the economy has performed better than expected since the December forecast, and the approval and distribution of vaccines for COVID-19 are bringing about the end of the pandemic. Additionally, the President signed a bill in late December to provide $900 billion in federal funds, and an even larger $1.9 trillion bill was signed on March 11, 2021. These bills increase vaccination efforts, provide more stimulus payments to individuals, enhance unemployment benefits, and deliver aid to states; these actions will collectively boost the economic recovery.

However, on the downside, new variants of the COVID-19 virus could hamper the public health response and slow the economic recovery. Although economic conditions could be more negative than described in this forecast, the risks to the budget outlook are balanced to the upside.

# Supplemental Materials

An overview of General Fund and State Education Fund revenue, expenditures, and end-of-year reserves is provided in the Reference Tables at the end of this document. A more detailed discussion of the information presented in the Reference Tables can be found at the Office of State Planning and Budgeting's website: www.colorado.gov/governor/economics

# TABOR Outlook

Under Article X, Section 20 of the State Constitution, the Taxpayer's Bill of Rights (TABOR), revenue received from certain sources is subject to an annual limit determined by the prior year's limit after adjustments for inflation and population growth. Any TABOR revenue received above the cap is to be refunded to taxpayers in the subsequent fiscal year. Revenue subject to TABOR exceeded the statutory revenue cap under SB17-267 by $428.3 million in FY 2018-19 but did not exceed the cap in FY 2019-20. Current projections indicate that TABOR revenue will be $614.5 million under the SB17-267 cap in FY 2020-21 and just $82.6 million under the cap in FY2021-22. However, TABOR revenue is forecast to exceed the SB17-267 cap in FY 2022-23 by $181.5 million, which would lead to taxpayer refunds paid in FY 2023-24. This contrasts with the December 2020 forecast which projected TABOR revenue below the cap throughout the forecast period.

Current law specifies three mechanisms by which revenue in excess of the cap is to be refunded to taxpayers: the senior homestead and disabled veterans property tax exemptions, a temporary income tax rate reduction (from 4.55 percent to 4.50 percent), and a sales tax refund. The size of the refund determines which refund mechanisms are utilized.

# Reference Tables

## Table 1: Colorado Economic Variables – History and Forecast

| Line No. | | Actual | | | | | | March 2021 Forecast | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| | **Income** | | | | | | | | | |
| 1 | Personal Income (Billions) /A | $284.8 | $290.7 | $312.0 | $335.2 | $352.2 | $368.6 | $387.5 | $401.4 | $421.1 |
| 2 | Change | 5.0% | 2.1% | 7.4% | 7.4% | 5.1% | 4.7% | 5.1% | 3.6% | 4.9% |
| 3 | Wage and Salary Income (Billions) /A | $146.6 | $151.1 | $160.8 | $170.3 | $182.1 | $184.1 | $194.4 | $204.1 | $213.5 |
| 4 | Change | 5.8% | 3.1% | 6.5% | 5.9% | 6.9% | 1.1% | 5.6% | 5.0% | 4.6% |
| 5 | Per-Capita Income ($/person) /A | $52,219.0 | $52,431.0 | $55,549.6 | $58,835.7 | $61,159.3 | $63,475.8 | $66,118.0 | $67,820.0 | $70,438.8 |
| 6 | Change | 3.0% | 0.4% | 5.9% | 5.9% | 3.9% | 3.8% | 4.2% | 2.6% | 3.9% |
| | **Population & Employment** | | | | | | | | | |
| 7 | Population (Thousands) | 5,454.3 | 5,543.8 | 5,617.4 | 5,697.2 | 5,758.5 | 5,807.7 | 5,860.0 | 5,918.6 | 5,977.8 |
| 8 | Change | 1.9% | 1.6% | 1.3% | 1.4% | 1.1% | 0.9% | 0.9% | 1.0% | 1.0% |
| 9 | Net Migration (Thousands) | 69.7 | 58.4 | 44.8 | 53.2 | 41.9 | 28.6 | 30.0 | 36.0 | 40.0 |
| 10 | Unemployment Rate | 3.7% | 3.1% | 2.6% | 3.0% | 2.7% | 7.3% | 5.6% | 4.5% | 3.7% |
| 11 | Total Nonagricultural Employment (Thousands) | 2,541.0 | 2,601.7 | 2,660.3 | 2,727.3 | 2,790.1 | 2,644.6 | 2,747.7 | 2,824.7 | 2,878.9 |
| 12 | Change | 3.1% | 2.4% | 2.2% | 2.5% | 2.3% | -5.2% | 3.9% | 2.8% | 1.9% |
| | **Construction Variables** | | | | | | | | | |
| 13 | Total Housing Permits Issued (Thousands) | 31.9 | 39.0 | 40.7 | 42.6 | 38.6 | 46.8 | 49.4 | 49.5 | 48.7 |
| 14 | Change | 11.0% | 22.3% | 4.4% | 4.8% | -9.4% | 21.3% | 5.5% | 0.1% | -1.5% |
| 15 | Nonresidential Construction Value (Millions) /B | $4,990.8 | $5,987.8 | $6,154.9 | $8,141.0 | $5,069.1 | $4,857.3 | $4,881.6 | $4,954.8 | $5,326.4 |
| 16 | Change | 14.7% | 20.0% | 2.8% | 32.3% | -37.7% | -4.2% | 0.5% | 1.5% | 7.5% |
| | **Prices** | | | | | | | | | |
| 17 | Retail Trade (Billions) | $182.8 | $184.7 | $194.6 | $206.1 | $224.6 | $228.8 | $244.4 | $254.8 | $263.6 |
| 18 | Change | 0.1% | 1.0% | 5.4% | 5.9% | 9.0% | 1.9% | 6.8% | 4.3% | 3.5% |
| 19 | Denver-Aurora-Lakewood Consumer Price Index (1982-84=100) /C | 240.0 | 246.6 | 255.0 | 262.0 | 267.0 | 272.2 | 278.7 | 285.2 | 292.3 |
| 20 | Change | 1.2% | 2.8% | 3.4% | 2.7% | 1.9% | 2.0% | 2.4% | 2.3% | 2.5% |

/A Personal Income as reported by the U.S. Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.

/B Nonresidential Construction Value is reported by Dodge Analytics (McGraw-Hill Construction) and includes new construction, additions, and major remodeling projects predominately at commercial and manufacturing facilities, educational institutions, and medical and government buildings. Nonresidential does not include non-building projects (such as streets, highways, bridges and utilities).

/C In 2018, the geography and data frequency of this series were revised. 2017 and prior years represent Denver-Boulder-Greeley regional prices.

# Table 2: National Economic Variables – History and Forecast

| Line No. | | Actual 2015 | Actual 2016 | Actual 2017 | Actual 2018 | Actual 2019 | Actual 2020 | March 2021 Forecast 2021 | March 2021 Forecast 2022 | March 2021 Forecast 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Inflation-Adjusted & Current Dollar Income Accounts** | | | | | | | | | |
| 1 | Inflation-Adjusted Gross Domestic Product (Billions) /A | $17,432.2 | $17,730.5 | $18,144.1 | $18,687.8 | $19,091.7 | $18,423.4 | $19,510.4 | $20,271.3 | $20,656.5 |
| 2 | Change | 3.1% | 1.7% | 2.3% | 3.0% | 2.2% | -3.5% | 5.9% | 3.9% | 1.9% |
| 3 | Personal Income (Billions) /B | $15,724.2 | $16,160.7 | $16,948.6 | $17,851.8 | $18,551.5 | $19,725.1 | $20,652.1 | $21,205.5 | $21,981.3 |
| 4 | Change | 4.9% | 2.8% | 4.9% | 5.3% | 3.9% | 6.3% | 4.7% | 2.7% | 3.7% |
| 5 | Per-Capita Income ($/person) | $49,046 | $50,049 | $52,150 | $54,645 | $56,525 | $59,866 | $62,368 | $63,721 | $65,724 |
| 6 | Change | 4.1% | 2.0% | 4.2% | 4.8% | 3.4% | 5.9% | 4.2% | 2.2% | 3.1% |
| 7 | Wage and Salary Income (Billions) /B | $7,859.0 | $8,089.0 | $8,471.0 | $8,894.0 | $9,309.0 | $9,369.0 | $9,884.1 | $10,336.3 | $10,760.7 |
| 8 | Change | 5.1% | 2.9% | 4.7% | 5.0% | 4.7% | 0.6% | 5.5% | 4.6% | 4.1% |
| | **Population & Employment** | | | | | | | | | |
| 9 | Population (Millions) | 320.7 | 323.1 | 325.1 | 326.8 | 328.3 | 329.5 | 331.1 | 332.8 | 334.5 |
| 10 | Change | 0.8% | 0.7% | 0.6% | 0.5% | 0.5% | 0.4% | 0.5% | 0.5% | 0.5% |
| 11 | Unemployment Rate | 5.3% | 4.9% | 4.4% | 3.9% | 3.7% | 8.1% | 5.5% | 4.6% | 4.1% |
| 12 | Total Nonagricultural Employment (Millions) | 141.8 | 144.3 | 146.6 | 148.9 | 150.9 | 142.2 | 147.3 | 150.7 | 153.1 |
| 13 | Change | 2.1% | 1.8% | 1.6% | 1.6% | 1.3% | -5.8% | 3.6% | 2.3% | 1.6% |
| | **Other Key Indicators** | | | | | | | | | |
| 14 | Consumer Price Index (1982-84=100) | 237.0 | 240.0 | 245.1 | 251.1 | 255.7 | 258.8 | 265.0 | 270.5 | 276.1 |
| 15 | Change | 0.1% | 1.3% | 2.1% | 2.4% | 1.8% | 1.2% | 2.4% | 2.1% | 2.0% |
| 16 | Pre-Tax Corporate Profits (Billions) | $2,060.5 | $2,023.7 | $2,114.5 | $2,243.0 | $2,250.5 | $2,128.4 | $2,364.6 | $2,428.5 | $2,508.6 |
| 17 | Change | -2.8% | -1.8% | 4.5% | 6.1% | 0.3% | -5.4% | 11.1% | 2.7% | 3.3% |
| 18 | Housing Permits (Millions) | 1.183 | 1.207 | 1.282 | 1.329 | 1.386 | 1.435 | 1.509 | 1.568 | 1.562 |
| 19 | Change | 12.4% | 2.0% | 6.3% | 3.6% | 4.3% | 3.5% | 5.2% | 3.9% | -0.4% |
| 20 | Retail Trade (Billions) | $5,349.5 | $5,510.2 | $5,744.8 | $6,001.6 | $6,218.0 | $6,255.0 | $6,811.7 | $7,043.3 | $7,268.7 |
| 21 | Change | 2.6% | 3.0% | 4.3% | 4.5% | 3.6% | 0.6% | 8.9% | 3.4% | 3.2% |

/A U.S. Bureau of Economic Analysis, National Income and Product Accounts. Inflation-adjusted, in 2009 dollars.

/B Personal Income as reported by the U.S. Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.

# Table 3: General Fund Revenue Estimates by Tax Category /A

| Line | | Actual | | March 2021 Estimate by Fiscal Year | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| No. | Category | FY 2019-20 | % Chg | FY 2020-21 | % Chg | FY 2021-22 | % Chg | FY 2022-23 | % Chg |
| | ***Excise Taxes:*** | | | | | | | | |
| 1 | Sales | $3,196.0 | 4.7% | $3,331.2 | 4.2% | $3,473.4 | 4.3% | $3,623.0 | 4.3% |
| 2 | Use | $210.5 | -39.1% | $205.4 | -2.4% | $203.5 | -0.9% | $210.0 | 3.2% |
| 3 | Retail Marijuana Sales - Special Sales Tax | $245.5 | 27.4% | $295.6 | 20.4% | $316.3 | 7.0% | $333.7 | 5.5% |
| 4 | Cigarette | $32.5 | -0.1% | $33.9 | 4.1% | $28.5 | -15.7% | $27.8 | -2.6% |
| 5 | Tobacco Products | $24.4 | 9.5% | $29.0 | 19.1% | $25.7 | -11.4% | $26.3 | 2.3% |
| 6 | Liquor | $50.1 | 3.7% | $52.8 | 5.5% | $52.8 | 0.0% | $54.0 | 2.2% |
| 7 | Proposition EE | $0.0 | N/A | $76.2 | N/A | $190.8 | 150.6% | $198.9 | 4.2% |
| **8** | **Total Excise** | **$3,759.0** | **1.7%** | **$4,024.0** | **7.1%** | **$4,291.1** | **6.6%** | **$4,473.7** | **4.3%** |
| | ***Income Taxes:*** | | | | | | | | |
| 9 | Net Individual Income | $8,645.5 | 4.8% | $8,433.8 | -2.4% | $9,102.7 | 7.9% | $9,613.2 | 5.6% |
| 10 | Net Corporate Income | $728.3 | -20.8% | $818.6 | 12.4% | $803.4 | -1.9% | $852.1 | 6.1% |
| **11** | **Total Income** | **$9,373.8** | **2.3%** | **$9,252.4** | **-1.3%** | **$9,906.1** | **7.1%** | **$10,465.2** | **5.6%** |
| *12* | *Less: State Education Fund Diversion* | *$646.7* | *-6.7%* | *$748.5* | *15.7%* | *$743.0* | *-0.7%* | *$784.9* | *5.6%* |
| **13** | **Total Income to General Fund** | **$8,727.1** | **3.0%** | **$8,503.8** | **-2.6%** | **$9,163.1** | **7.8%** | **$9,680.3** | **5.6%** |
| | ***Other Revenue:*** | | | | | | | | |
| 14 | Insurance | $337.4 | 7.2% | $319.3 | -5.4% | $343.9 | 7.7% | $366.6 | 6.6% |
| 15 | Interest Income | $31.1 | 17.2% | $30.4 | -2.2% | $29.2 | -3.9% | $31.0 | 6.0% |
| 16 | Pari-Mutuel | $0.4 | -23.7% | $0.4 | -2.0% | $0.4 | -2.0% | $0.4 | -2.0% |
| 17 | Court Receipts | $3.9 | -6.7% | $3.9 | -0.5% | $3.9 | 0.0% | $3.9 | 0.0% |
| 18 | Other Income | $9.7 | -80.2% | $27.2 | 180.2% | $25.4 | -6.4% | $27.1 | 6.6% |
| **19** | **Total Other** | **$382.5** | **-3.1%** | **$381.1** | **-0.4%** | **$402.8** | **5.7%** | **$428.9** | **6.5%** |
| **20** | **GROSS GENERAL FUND** | **$12,868.5** | **2.4%** | **$12,909.0** | **0.3%** | **$13,857.0** | **7.3%** | **$14,583.0** | **5.2%** |

/A Dollars in millions.

# Table 4: General Fund Overview under the Governor's Budget Request /A

| Line No. | | Preliminary FY 2019-20 | March 2021 Estimate by Fiscal Year FY 2020-21 | FY 2021-22 | FY 2022-23 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| 1 | **Beginning Reserve** | **$1,262.6** | **$1,823.8** | **$2,146.2** | **$2,660.3** |
| 2 | **Gross General Fund Revenue** | **$12,868.5** | **$12,909.0** | **$13,857.0** | **$14,583.0** |
| 3 | *Transfers to the General Fund* | $248.0 | $325.2 | $41.3 | $17.7 |
| 4 | **TOTAL GENERAL FUND AVAILABLE** | **$14,379.1** | **$15,057.9** | **$16,044.4** | **$17,261.0** |
| **Expenditures** | | | | | |
| 5 | **Appropriation Subject to Limit** | **$11,805.2** | **$10,784.6** | **$12,226.3** | **$15,061.4** |
| 6 | *Dollar Change (from prior year)* | $546.4 | -$1,020.6 | $1,441.7 | $2,835.1 |
| 7 | *Percent Change (from prior year)* | 4.9% | -8.6% | 13.4% | 23.2% |
| 8 | **Spending Outside Limit** | **$910.5** | **$2,127.2** | **$1,157.8** | **$1,107.6** |
| 9 | *TABOR Refund under Art. X, Section 20, (7) (d)* | $0.0 | $0.0 | $0.0 | $181.5 |
| 10 | *Homestead Exemption (Net of TABOR Refund)* | $0.0 | $155.0 | $163.4 | $173.7 |
| 11 | *Other Rebates and Expenditures* | $145.7 | $141.0 | $142.1 | $144.9 |
| 12 | *Transfers for Capital Construction* | $213.6 | $44.0 | $111.0 | $50.0 |
| 13 | *Transfers for Transportation* | $300.0 | $200.0 | $0.0 | $50.0 |
| 14 | *Transfers to State Education Fund* | $40.3 | $141.4 | $152.2 | $132.3 |
| 15 | *Transfers to Other Funds* | $210.9 | $638.6 | $562.1 | $375.2 |
| 16 | *Transfers for Stimulus Investments* | $0.0 | $707.1 | $27.0 | $0.0 |
| 17 | *Transfer to Make Money Available for COVID-19 Emergency* | $0.0 | $100.0 | $0.0 | $0.0 |
| 18 | **TOTAL GENERAL FUND OBLIGATIONS** | **$12,715.6** | **$12,911.8** | **$13,384.1** | **$16,169.0** |
| 19 | *Percent Change (from prior year)* | -1.1% | 1.5% | 3.7% | 20.8% |
| 20 | Reversions and Accounting Adjustments | -$160.3 | $0.0 | $0.0 | $0.0 |
| **Reserves** | | | | | |
| 21 | **Year-End General Fund Balance** | **$1,823.8** | **$2,146.2** | **$2,660.3** | **$1,092.0** |
| 22 | *Year-End General Fund as a % of Appropriations* | 15.4% | 19.9% | 21.8% | 7.3% |
| 23 | *General Fund Statutory Reserve* | $362.4 | $308.4 | $1,651.8 | $1,092.0 |
| 24 | *Above/Below Statutory Reserve* | $1,461.4 | $1,837.7 | $1,008.5 | $0.0 |

/A. FY 2021-22 expenditures reflect the Governor's budget request. FY 2022-23 expenditures will be adopted in future budget legislation. Therefore, FY 2022-23 expenditures and fund balance projections shown are illustrative only. Dollars in millions.

# Table 5: General Fund and State Education Fund Overview under the Governor's Budget Request /A

| Line No. | | Preliminary FY 2019-20 | March 2021 Estimate by Fiscal Year FY 2020-21 | FY 2021-22 | FY 2022-23 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| 1 | **Beginning Reserves** | **$1,438.6** | **$2,150.7** | **$3,511.5** | **$4,091.0** |
| 2 | *State Education Fund* | $176.0 | $166.7 | $498.0 | $536.4 |
| 3 | *General Fund* | $1,262.6 | $1,984.1 | $3,013.5 | $3,554.7 |
| 4 | **Gross State Education Fund Revenue** | **$691.3** | **$959.2** | **$909.1** | **$920.6** |
| 5 | **Gross General Fund Revenue /B** | **$13,116.6** | **$13,234.1** | **$13,898.2** | **$14,600.7** |
| 6 | **TOTAL FUNDS AVAILABLE FOR EXPENDITURE** | **$15,246.4** | **$16,344.1** | **$18,318.8** | **$19,612.3** |
| **Expenditures** | | | | | |
| 7 | General Fund Expenditures /C | $12,555.3 | $12,204.7 | $13,357.1 | $16,169.0 |
| 8 | State Education Fund Expenditures | $700.6 | $627.9 | $870.7 | $1,317.0 |
| 9 | **TOTAL OBLIGATIONS** | **$13,256.0** | **$12,832.6** | **$14,227.8** | **$17,486.0** |
| 10 | *Percent Change (from prior year)* | -1.4% | -3.2% | 10.9% | 22.9% |
| 11 | *Reversions and Accounting Adjustments* | -$160.3 | $0.0 | $0.0 | $0.0 |
| **Reserves** | | | | | |
| 12 | **Year-End Balance** | **$2,150.7** | **$3,511.5** | **$4,091.0** | **$2,126.3** |
| 13 | State Education Fund | $166.7 | $498.0 | $536.4 | $140.0 |
| 14 | General Fund | $1,984.1 | $3,013.5 | $3,554.7 | $1,986.3 |
| 15 | *General Fund Above/Below Statutory Reserve* | $1,621.7 | $2,705.1 | $3,805.8 | $1,788.8 |

/A FY 2021-22 expenditures reflect the Governor's budget request. FY 2022-23 expenditures will be adopted in future budget legislation. Therefore, FY 2022-23 expenditures and fund balance projections shown are illustrative only. Dollars in millions.
/B This amount includes transfers to the General Fund.
/C General Fund expenditures include appropriations subject to the limit of 5.0 percent of Colorado personal income as well as all spending outside the limit.

## Table 6: Cash Fund Revenue Subject to TABOR /A

| Line No. | Category | Actual FY 2019-20 | March 2021 Estimate by Fiscal Year FY 2020-21 | FY 2021-22 | FY 2022-23 |
|---|---|---|---|---|---|
| 1 | **Transportation-Related /A** | **$1,198.2** | **$1,186.9** | **$1,230.9** | **$1,255.8** |
| 2 | Change | -6.1% | -0.9% | 3.7% | 2.0% |
| 3 | **Limited Gaming Fund /B** | **$69.1** | **$87.5** | **$103.7** | **$111.2** |
| 4 | Change | -35.4% | 26.5% | 18.6% | 7.2% |
| 5 | **Capital Construction - Interest** | **$6.3** | **$4.4** | **$4.5** | **$4.6** |
| 6 | Change | 33.6% | -30.0% | 2.3% | 1.1% |
| 7 | **Regulatory Agencies** | **$81.1** | **$89.2** | **$98.1** | **$104.6** |
| 8 | Change | 2.9% | 10.0% | 10.0% | 6.6% |
| 9 | **Insurance-Related** | **$24.9** | **$23.7** | **$21.9** | **$22.8** |
| 10 | Change | 10.5% | -4.9% | -7.6% | 4.1% |
| 11 | **Severance Tax** | **$131.7** | **($6.9)** | **$61.3** | **$92.9** |
| 12 | Change | -48.4% | -105.2% | 988.4% | 51.5% |
| 13 | **Other Miscellaneous Cash Funds** | **$725.3** | **$879.8** | **$893.9** | **$909.1** |
| 14 | Change | 4.5% | 21.3% | 1.6% | 1.7% |
| 15 | **TOTAL CASH FUND REVENUE** | ***$2,236.8*** | ***$2,264.7*** | ***$2,414.4*** | ***$2,501.1*** |
| 16 | Change | -8.3% | 1.2% | 6.3% | 3.3% |

/A Includes revenue from Senate Bill 09-108 (FASTER) which began in FY 2009-10. Roughly 40 percent of FASTER-related revenue is directed to State Enterprises. Revenue to State Enterprises is exempt from TABOR and is thus not included in the figures reflected by this table. Dollars in millions.

/B Excludes tax revenue from extended gaming as allowed by Amendment 50 to the Colorado Constitution as this revenue is exempt from TABOR. The portion of limited gaming revenue that is exempt is projected based on the formula outlined in House Bill 09-1272.

# Table 7: TABOR and the Referendum C Revenue Limit (as adjusted by SB17-267) /A

| Line No. | | Actual FY 2019-20 | March 2021 Estimate by Fiscal Year FY 2020-21 | FY 2021-22 | FY 2022-23 |
|---|---|---|---|---|---|
| | **TABOR Revenues:** | | | | |
| 1 | General Fund /A | $12,629.5 | $12,540.8 | $13,354.8 | $14,055.3 |
| | *Percent Change from Prior Year* | 2.3% | -0.7% | 6.5% | 5.2% |
| 2 | Cash Funds /A | $2,244.2 | $2,264.7 | $2,414.4 | $2,501.1 |
| | *Percent Change from Prior Year* | -7.9% | 0.9% | 6.6% | 3.6% |
| **3** | **Total TABOR Revenues** | **$14,873.8** | **$14,805.5** | **$15,769.2** | **$16,556.3** |
| | *Percent Change from Prior Year* | 0.6% | -0.5% | 6.5% | 5.0% |
| | **Revenue Limit Calculation:** | | | | |
| 4 | Previous calendar year population growth | 1.4% | 1.2% | 0.9% | 0.9% |
| 5 | Previous calendar year inflation | 2.7% | 1.9% | 2.0% | 2.4% |
| **6** | **Allowable TABOR Growth Rate** | **4.1%** | **3.1%** | **2.8%** | **3.3%** |
| 7 | TABOR Limit /B | $12,249.0 | $12,628.7 | $12,982.3 | $13,410.7 |
| **8** | General Fund Exempt Revenue Under Ref. C /C | $2,624.8 | $2,176.8 | $2,786.8 | $2,964.1 |
| **9** | **Revenue Cap Under Ref. C /B /D** | **$14,956.4** | **$15,420.0** | **$15,851.8** | **$16,374.9** |
| *10* | ***Amount Above/Below Cap*** | **-$82.6** | **-$614.5** | **-$82.6** | **$181.5** |
| *11* | ***Revenue to be Refunded including Adjustments from Prior Years /E*** | **$0.0** | **$0.0** | **$0.0** | **$181.5** |
| 12 | TABOR Reserve Requirement | $446.2 | $444.2 | $473.1 | $491.2 |

/A Amounts differ from the revenue totals reported in Table 3 and Table 6 due to accounting adjustments, and because some General Fund revenue is exempt from TABOR. Dollars in millions.

/B The TABOR limit and Referendum C cap are adjusted to account for changes in the enterprise status of various state entities.

/C Under Referendum C, a "General Fund Exempt Account" is created in the General Fund. The account consists of money collected in excess of the TABOR limit in accordance with Referendum C.

/D The revenue limit is calculated by applying the "Allowable TABOR Growth Rate" to either "Total TABOR Revenue" or the "Revenue Cap under Ref. C," whichever is smaller. Beginning in FY 2010-11, the revenue limit is based on the highest revenue total from FY 2005-06 to 2009-10 plus the "Allowable TABOR Growth Rate." FY 2007-08 was the highest revenue year during the Referendum C timeout period. SB 17-267 reduced the Referendum C cap by $200 million in FY 2017-18. The lower cap then grows by inflation and population growth in subsequent years.

/E These adjustments are the result of: (a) changes that were made to State accounting records for years in which TABOR refunds occurred that resulted in changes in required refunds to taxpayers, and (b) the refund to taxpayers in previous years was different than the actual amount required. Such adjustments are held by the State until a future year in which a TABOR refund occurs when they adjust the total refund amount distributed to taxpayers.

**APPENDIX H**
**Leased Property Relating to the Certificates[1]**

The following table describes the Leased Property subject to the Leases between the Trustee and the State relating to the Certificates to be outstanding upon the execution and delivery of the Series 2021A Certificates.

**2021A Leased Property**

| Campus/Builiding | City | Fair Market Value[2] |
|---|---|---|
| Department of Human Services - Colorado Mental Health Institute Campus (46 bldgs)[3, 4] | Pueblo | $291,689,299 |
| Department of Personnel & Administration - State Services Building (1 bldg) | Grand Junction | 9,404,375 |
| Department of Personnel & Administration - Division of Capital Assets Campus (3 bldgs) | Denver | 9,576,575 |
| Fort Lyons Correctional Facility (83 bldgs)[5] | Fort Lyons | 103,547,885 |
| **TOTAL** | | **$414,218,134** |

**2020 Leased Property**

| Campus | City | Fair Market Value[2] |
|---|---|---|
| Arrowhead Correctional Center (16 bldgs) | Canon City | 28,179,744 |
| Centennial Correctional Facility (6 bldgs) | Canon City | $202,452,156 |
| Colorado Correctional Industries (67 bldgs or facilities) | Canon City | 26,840,682 |
| Denver Women's Correctional Facility (9 bldgs) | Denver | 38,014,326 |
| East Canon City Prison Complex (19 bldgs) | Canon City | 18,088,149 |
| Four Mile Correctional Facility (14 bldgs) | Canon City | 26,563,916 |
| Fremont Correctional Facility (40 bldgs) | Canon City | 85,438,863 |
| Skyline Correctional Center (5 bldgs) | Canon City | 7,602,669 |
| **TOTAL** | | **$433,180,505** |

**2018A Leased Property**

| Building | City | Fair Market Value[2] |
|---|---|---|
| Colorado State Patrol-Camp George West Training Facility[6] | Golden | $10,465,250 |
| Colorado State Penitentiary | Canon City | $141,100,725 |
| Denver Regional Diagnostic Center Administration/Support Bldg A-F[7] | Denver | $54,548,180 |
| Denver Regional Diagnostic Center Bldg G/H, Living Units 1/2, and Support[6] | Denver | $19,368,875 |
| Denver Regional Diagnostic Center Bldg I: Recreation[7] | Denver | $3,355,530 |
| Denver Regional Diagnostic Center Bldgs J/K, Living Units 3/4, and Support[6] | Denver | $19,302,817 |
| Denver Women's Correctional Facility Central Plant/Maintenance[7] | Denver | $10,711,425 |
| Denver Women's Correctional Facility Close/Special Needs Housing[7] | Denver | $19,977,225 |
| Denver Women's Correctional Facility Medium Housing Building #3[7] | Denver | $13,552,650 |
| Denver Women's Correctional Facility Support[7] | Denver | $19,661,525 |
| Denver Women's Correctional Facility Visiting/Ad-Seg[7] | Denver | $13,469,602 |
| Division of Central Services-Dale Tooley State Office - Public Safety[8] | Lakewood | $13,452,100 |
| Division of Central Services-Pierce Street[9] | Lakewood | $16,774,125 |
| Division of Central Services-Resources Park West - Public Safety[8] | Lakewood | $11,012,600 |

| | | |
|---|---|---|
| Division of Central Services-State Office Building | Denver | $26,752,500 |
| Fremont Correctional Facility Cellhouse 6 | Canon City | $11,700,703 |
| Fremont Correctional Facility Cellhouse 7 | Canon City | $10,444,600 |
| Fremont Correctional Facility Cellhouse 8 | Canon City | $8,859,550 |
| Fremont Correctional Facility Kitchen/Medical/Laundry Building | Canon City | $11,385,350 |
| San Carlos Correctional Facility Bldg 6 | Pueblo | $22,225,825 |
| **TOTAL** | | **$458,121,157** |

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1 The Leased Property shown on this list, or any portion thereof, may be released and other property substituted therefor as described in "Substitution of Leased Property" under "SECURITY AND SOURCES OF PAYMENT – The Leased Property – Substitution of Leased Property."

2 As defined in the Glossary included in the form of 2018A Master Indenture attached as **Appendix B** hereto.

3 A Phase I Environmental Site Assessment dated March 25, 2021 prepared by Ninyo & Moore (the "March 25 Ninyo & Moore ESA") for the State Treasury reflected the presence of coal storage for a heating plant, multiple discarded transformers and multiple 55-gallon drums throughout the site. Records further reflected a history of multiple leaky underground storage tanks and removals of underground and above-ground storage tanks from the early 1990s through 2020. The March 25 Ninyo & Moore ESA recommends secondary containment of the drums, removal of the discarded transformers and collection of soil samples around the perimeter of the coal storage pad to test for potential contaminants leaching from the stockpile into the surrounding soils. A copy of the March 25 Ninyo & Moore ESA is available upon request by contacting LoriAnn Knutson or Xan Serocki in the Office of the Colorado Attorney General at LoriAnn.Knutson@coag.gov or Xan.Serocki@coag.gov.

4 As a result of a surveyor mistakenly not conducting the full ALTA survey procedures ordered by the State in connection with the procurement of title insurance on this property, the title commitment for this property will be issued with the following exceptions: "(1) any facts, rights, interests or claims that are not shown by the Public Records but which could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land; (2) easements, liens or encumbrances, or claims thereof, not shown by the Public Records; and (3) any encroachments, encumbrances, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by Public Records." The State is currently unaware of any defects to title for this property that might arise under these exceptions, but has covenanted in the 2021A Lease to either (a) take such action as necessary to have a certified ALTA/NSPS Land Title Survey delivered by a Colorado Registered Professional Land Surveyor with respect to this property so that a title insurance policy, or an amendment of, or an endorsement or supplement to the issued title insurance policy containing extended survey coverage (subject to any matters disclosed in the survey) is provided with respect to the property which is reasonably acceptable to the State; or (b) by no later than June 30, 2022, substitute other property for this property in accordance with the provisions of the 2021A Lease. Should there be a need to substitute property, the State believes that it has more than sufficient properties available to make such substitution.

5 A Phase I Environmental Site Assessment dated April 30, 2021 prepared by Pinyon Environmental, Inc. (the "April 30 Pinyon ESA") for the State Treasury reflected the presence of a former landfill and possible historical drycleaning operations at the site. Records further reflect weapons range soil that was remediated by the Environmental Protection Agency and ongoing remediation of asbestos and lead on site. A copy of the April 30 Pinyon ESA is available upon request by contacting LoriAnn Knutson or Xan Serocki in the Office of the Colorado Attorney General at LoriAnn.Knutson@coag.gov or Xan.Serocki@coag.gov.

6 A Phase I Environmental Site Assessment dated September 12, 2018 prepared by Ninyo & Moore (the "September 12 Ninyo & Moore ESA") for the State Treasury reflected that there were previously two 450-gallon storage tanks along the north side of the building. In 1993 stained soils were reported due to spillage but there's no record of any clean-up efforts. The ESA recommends shallow soil testing in this area. Additionally, a monitoring well was observed on the property but no information about the well was available; however its existence indicates some previous release into groundwater. The ESA recommends further investigation. A copy of the September 12 Ninyo & Moore ESA is available upon request by contacting LoriAnn Knutson or Xan Serocki in the Office of the Colorado Attorney General at LoriAnn.Knutson@coag.gov or Xan.Serocki@coag.gov.

7 A Phase I Environmental Site Assessment dated August 7, 2018 prepared by CTL/Thompson (the "CTL/Thompson ESA") examined four environmental site assessments ("ESAs") that had been previously prepared in connection with this property in 1988, 1990, 1996 and 1998. The 1988 ESA reflected the presence of methane emissions, solid waste and polycyclic aromatic hydrocarbons associated with the former Denver City Dump on which the property is located. The 1990 ESA reflected installation of an underground storage tank on the property. The 1996 ESA reflected elevated levels of lead found in the soils associated with the former shooting range on which a portion of the property is located. The 1998 ESA reflected concentrations of total petroleum hydrocarbons in the soil and groundwater associated with the preconstruction of the Denver Women's Correctional Facility baseball field. A copy of the CTL/Thompson ESA is available upon request by contacting LoriAnn Knutson or Xan Serocki in the Office of the Colorado Attorney General at LoriAnn.Knutson@coag.gov or Xan.Serocki@coag.gov.

8 A Phase I ESA dated September 7, 2018 prepared by Ninyo & Moore (the "September 7 Ninyo & Moore ESA") for the State Treasury reflected that an underground storage tank was closed in January 1999 but a No Further Action Report has not been filed with respect to such tank. A copy of the September 7 Ninyo & Moore ESA is available upon request by contacting LoriAnn Knutson or Xan Serocki in the Office of the Colorado Attorney General at LoriAnn.Knutson@coag.gov or Xan.Serocki@coag.gov.

9 A Phase I Environmental Site Assessment dated September 11, 2018 prepared by Ninyo & Moore (the "September 11 Ninyo & Moore ESA") for the State Treasury reflected the presence of four former underground storage tanks. Records reflect that three underground storage tanks were back-filled with concrete prior to 1998 and the remaining tank was removed with soil and water in 1995. A copy of the September 11 Ninyo & Moore ESA is available upon request by contacting LoriAnn Knutson or Xan Serocki in the Office of the Colorado Attorney General at LoriAnn.Knutson@coag.gov or Xan.Serocki@coag.gov.

## APPENDIX I
## Certain State Economic and Demographic Information

The following information was prepared and provided by Development Research Partners, Inc. to give prospective investors general information concerning selected economic and demographic conditions existing in the State as of the dates indicated. See also "INTRODUCTION – State Economic and Demographic Information." The statistics have been obtained from the referenced sources and represent the most current information available as of May 2020 from the sources indicated; however, since certain information is released with a significant time lag, the information in some cases will not be indicative of existing or future economic and demographic conditions. Further, the reported data has not been adjusted to reflect economic trends, notably inflation. Finally, other economic and demographic information concerning the State not presented herein may be available, and prospective investors may want to review such information prior to making their investment decision. *The following information is not to be relied upon as a representation or guarantee of the State or any officer or employee of or advisor to the State*. See also "**Appendix A** – THE STATE GENERAL FUND – Revenue Estimation; OSPB Revenue and Economic Forecasts."

**Overview**

Colorado, the most populous state in the Rocky Mountain region, has three distinct geographic and economic areas. The eastern half of the State consists of the eastern plains, which are flat, open, and largely devoted to agriculture. The Front Range lies along the eastern base of the Rocky Mountains and contains most of the State's metropolitan areas. The western half of the State – which includes the Rocky Mountains and the Western Slope – includes many acres of national park and forest land and significant reserves of minerals, natural gas, and other resources.

The State's population and wealth are concentrated in the Front Range, principally in four major metropolitan areas: Fort Collins/Greeley, Denver/Boulder, Colorado Springs, and Pueblo. Denver, the State's capital, is the economic center of the State and the Rocky Mountain region. About 56 percent of the State's population and 62 percent of its jobs are located in the Denver/Boulder metropolitan area, which is a hub for transportation, communication, financial activities, and professional and business services. The aerospace, bioscience, and energy industries are also key contributors to economic activity 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 A** – THE STATE GENERAL FUND – Revenue Estimation; OSPB Revenue and Economic Forecasts."

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**Population and Age Distribution**

The following table provides population figures for Colorado and the United States for the past 10 years.

**Population Estimates**
**(As of July 1)**

| | Colorado | | United States | |
|---|---|---|---|---|
| | Population (millions) | % Change | Population (millions) | % Change |
| 2009 | 5.0 | 1.7% | 306.7 | 0.9% |
| 2010 | 5.1 | 1.5 | 309.3 | 0.9 |
| 2011 | 5.1 | 1.5 | 311.6 | 0.7 |
| 2012 | 5.2 | 1.4 | 313.8 | 0.7 |
| 2013 | 5.3 | 1.5 | 316.0 | 0.7 |
| 2014 | 5.4 | 1.5 | 318.3 | 0.7 |
| 2015 | 5.5 | 1.9 | 320.6 | 0.7 |
| 2016 | 5.5 | 1.6 | 322.9 | 0.7 |
| 2017 | 5.6 | 1.3 | 325.0 | 0.6 |
| 2018 | 5.7 | 1.4 | 326.7 | 0.5 |
| 2019 | 5.8 | 1.3 | 328.2 | 0.5 |

Note: Figures for 2009 through 2018 are estimates. The U.S. 2019 count is an estimate, and the 2019 count for Colorado is a forecast.

Sources: Colorado Division of Local Government, State Demography Office; U.S. Census Bureau, Population Estimates Program.

The following table provides the age distribution for the most recent year available for the State's population and the population nationwide.

**Age Distribution**
**As of July 1,**

| | Colorado, 2019 | | United States, 2019 | |
|---|---|---|---|---|
| | Population (millions) | % of total | Population (millions) | % of total |
| Under 18 | 1.26 | 21.9% | 73.04 | 22.3% |
| 18 to 24 | 0.56 | 9.7 | 30.22 | 9.2 |
| 25 to 44 | 1.66 | 28.8 | 87.60 | 26.7 |
| 45 to 64 | 1.44 | 24.9 | 83.32 | 25.4 |
| 65+ | 0.84 | 14.6 | 54.06 | 16.5 |
| Total | 5.77 | 100.0 | 328.24 | 100.0 |
| Median Age[1] | 37.2 | | 38.2 | |

[1] U.S. Median age is for 2018.

Note: Totals may not add due to rounding. The U.S. 2019 count is an estimate, and the Colorado 2019 count is a forecast.

Sources: Colorado Division of Local Government, State Demography Office; U.S. Census Bureau, Population Estimates Program.

## Income

The following table provides annual per capita personal income figures for Colorado, the Rocky Mountain Region, and the United States.

**Per Capita Personal Income in Current Dollars**[1]

| | Colorado | | Rocky Mountain Region[2] | | United States | |
|---|---|---|---|---|---|---|
| | **Income** | **% Change** | **Income** | **% Change** | **Income** | **% Change** |
| 2015 | $52,147 | 2.8% | $47,029 | 3.8% | $48,994 | 4.1% |
| 2016 | 52,278 | 0.3 | 47,472 | 0.9 | 49,890 | 1.8 |
| 2017 | 55,374 | 5.9 | 49,744 | 4.8 | 51,910 | 4.0 |
| 2018 | 58,500 | 5.6 | 52,458 | 5.5 | 54,526 | 5.0 |
| 2019 | 61,348 | 4.9 | 54,769 | 4.4 | 56,663 | 3.9 |

1 Per capita personal income is total personal income divided by the July 1 population estimate.

2 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 the State.

**Civilian Labor Force, Total Employment, and Unemployment Rates (Not Seasonally Adjusted)**

| | Colorado Civilian Labor Force (thousands) | % Change | Colorado Total Employment (thousands)[1] | % Change | Annual Average Unemployment Rate: Colorado | Annual Average Unemployment Rate: United States |
|---|---|---|---|---|---|---|
| 2015 | 2,825.1 | – | 2,714.8 | – | 3.9% | 5.3% |
| 2016 | 2,891.7 | 2.4% | 2,797.0 | 3.0% | 3.3 | 4.9 |
| 2017 | 2,986.5 | 3.3 | 2,902.7 | 3.8 | 2.8 | 4.4 |
| 2018 | 3,080.7 | 3.2 | 2,983.5 | 2.8 | 3.2 | 3.9 |
| 2019 | 3,148.8 | 2.2 | 3,062.1 | 2.6 | 2.8 | 3.7 |
| Year-to-date averages through April: | | | | | | |
| 2019 | 3,110.9 | – | 3,011.7 | – | 3.2% | 3.9% |
| 2020 | 3,131.6 | 0.7% | 2,952.5 | -2.0% | 5.7 | 6.6 |

1 Includes the self-employed, unpaid family workers, and other groups not included in statistics that show employment by industry.

Sources: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics; Labor Force Statistics from the Current Population Survey.

The following table shows Colorado employment by industry for the past five years. 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 Annual Number of Employees by Industry

| Industry | 2015 | 2016 | 2017 | 2018 | 2019 | Most Recent Quarter 2019Q3 | Most Recent Quarter 2019Q4 | Most Recent Quarter % Change |
|---|---|---|---|---|---|---|---|---|
| Private Sector: | | | | | | | | |
| Agriculture, Forestry, Fishing, and Hunting | 15,624 | 16,469 | 17,598 | 18,131 | 19,743 | 21,487 | 19,928 | -7.3% |
| Mining | 30,565 | 23,573 | 25,578 | 28,200 | 28,635 | 28,879 | 27,442 | -5.0 |
| Utilities | 8,202 | 8,239 | 8,079 | 8,030 | 8,168 | 8,236 | 8,197 | -0.5 |
| Construction | 148,638 | 155,139 | 163,452 | 173,063 | 178,867 | 184,398 | 181,044 | -1.8 |
| Manufacturing | 140,831 | 142,381 | 144,064 | 147,270 | 150,109 | 151,009 | 150,486 | -0.3 |
| Wholesale Trade | 103,253 | 104,882 | 106,726 | 108,257 | 110,218 | 110,913 | 111,582 | 0.6 |
| Retail Trade | 263,104 | 269,032 | 270,783 | 272,644 | 272,176 | 271,230 | 277,157 | 2.2 |
| Transportation and Warehousing | 67,287 | 68,327 | 72,554 | 77,469 | 83,417 | 83,358 | 88,601 | 6.3 |
| Information | 70,599 | 71,730 | 71,643 | 74,992 | 76,296 | 76,174 | 77,245 | 1.4 |
| Finance and Insurance | 106,344 | 108,970 | 111,293 | 112,624 | 112,761 | 112,775 | 113,068 | 0.3 |
| Real Estate and Rental and Leasing | 46,944 | 48,707 | 50,566 | 52,152 | 54,474 | 55,072 | 55,567 | 0.9 |
| Professional and Technical Services | 204,586 | 210,093 | 215,783 | 224,620 | 235,424 | 237,358 | 240,765 | 1.4 |
| Management of Companies and Enterprises | 36,488 | 36,833 | 39,018 | 40,839 | 42,317 | 72,756 | 42,897 | 0.3 |
| Administrative and Waste Services | 157,385 | 158,535 | 158,041 | 158,512 | 161,846 | 168,827 | 163,982 | -2.9 |
| Educational Services | 33,847 | 34,992 | 35,375 | 36,694 | 37,674 | 37,062 | 38,489 | 3.9 |
| Health Care and Social Assistance | 275,183 | 287,168 | 291,299 | 298,559 | 303,803 | 304,452 | 306,898 | 0.8 |
| Arts, Entertainment, and Recreation | 50,707 | 52,625 | 55,407 | 56,848 | 58,975 | 60,941 | 57,072 | -6.3 |
| Accommodation and Food Services | 261,704 | 270,673 | 277,613 | 282,491 | 285,929 | 295,571 | 283,722 | -4.0 |
| Other Services | 75,157 | 78,231 | 82,201 | 82,029 | 84,557 | 86,145 | 85,292 | -1.0 |
| Unclassified | 1,478 | 759 | 180 | 1,886 | 2,636 | 679 | 1,202 | 77.0 |
| Government | 396,853 | 405,690 | 412,002 | 418,297 | 427,979 | 424,026 | 432,960 | 2.1 |
| Total* | 2,494,777 | 2,553,045 | 2,609,255 | 2,673,605 | 2,736,002 | 2,761,346 | 2,763,595 | 0.1 |

* Industry employment levels may not add to total due to rounding.

Source: Colorado Department of Labor and Employment, Quarterly Census of Employment and Wages.

The following table shows the largest private sector employers in Colorado based on the most current information available as of May 2020. No independent investigation has been made, and no representation is made herein as to the financial condition of the employers listed below or the likelihood that these employers will maintain their status as major employers in the state. Employment counts for these businesses may have changed since this table was compiled, and other large employers may exist in the State that are not included in the table.

Estimated Largest Private Sector Employers in Colorado

| Employer | Type of Business | Estimated Employees[1] |
|---|---|---|
| Wal-Mart | General Merchandise | 27,500 |
| UCHealth | Healthcare | 23,500 |
| The Kroger Co. (King Soopers/City Market) | Supermarkets | 20,900 |
| Centura Health | Healthcare | 14,500 |
| HealthONE Corporation | Healthcare | 12,400 |
| Lockheed Martin Corporation | Aerospace & Defense Related Systems | 10,500 |
| SCL Health System | Healthcare | 10,000 |
| Comcast | Telecommunications | 9,000 |
| Amazon | Warehousing & Distribution Services | 8,100 |
| Home Depot | Building Materials Retailer | 8,000 |
| Children’s Hospital Colorado | Healthcare | 7,800 |
| CenturyLink | Telecommunications | 7,800 |
| Target Corporation | General Merchandise | 7,600 |
| Safeway Inc. | Supermarkets | 7,300 |
| United Airlines | Airline | 7,000 |
| Kaiser Permanente | Health Maintenance Organization | 6,700 |
| JBS Swift & Company | Beef Processing/Corporate Office | 6,000 |
| Vail Resorts | Leisure & Hospitality | 5,600 |
| United Parcel Service | Delivery Services | 5,400 |
| Banner Health | Healthcare | 5,200 |
| Wells Fargo | Banking/Financial Services | 5,100 |
| FedEx Corp. | Transportation, E-commerce | 4,500 |
| Southwest Airlines | Airline | 4,500 |
| Ball Corporation | Aerospace, Containers | 4,400 |
| Oracle | Software & Network Computer Systems | 4,400 |

[1] Includes both full- and part-time employees.

Source: Compiled by Development Research Partners from various sources, May 2020.

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The following table shows the largest public sector employers in Colorado based on the most current information available as of May 2020.

Estimated Largest Public Sector Employers in Colorado

| Employer | Estimated Employees[1] |
|---|---|
| State of Colorado | 57,300 |
| Federal Government (except USPS) | 42,800 |
| University of Colorado System | 24,300 |
| Denver Public Schools | 15,400 |
| City & County of Denver | 12,300 |
| Jefferson County Public Schools | 11,300 |
| U.S. Postal Service | 9,000 |
| Douglas County School District RE-1 | 8,700 |
| Cherry Creek School District No 5 | 7,800 |
| Colorado State University | 7,700 |
| Denver Health | 7,600 |
| Aurora Public Schools | 5,400 |
| Adams 12 Five Star Schools | 5,000 |
| Boulder Valley School District RE-2 | 4,300 |
| Poudre School District R-1 | 4,200 |
| St. Vrain Valley School District RE-1J | 4,100 |
| City of Aurora | 4,000 |
| Colorado Springs School District 11 | 3,900 |
| Academy Schools District No 20 | 3,600 |
| Jefferson County | 3,400 |
| U.S. Department of Veteran Affairs | 3,200 |
| Mesa County Valley School District 51 | 3,000 |
| El Paso County | 2,800 |
| Regional Transportation District (RTD) | 2,800 |
| School District 49 | 2,700 |

[1] Includes both full- and part-time employees.

Source: Compiled by Development Research Partners from various sources, May 2020.

## Retail Sales

The following table provides recent annual sales figures as reported for state sales tax purposes.

Colorado Sales and Use Tax Net Collections
Fiscal Years 2015 to 2019

| | Sales Tax | | Consumer Use Tax | | Retailer Use Tax | |
|---|---|---|---|---|---|---|
| | Amount (thousands) | % Change | Amount (thousands) | % Change | Amount (thousands) | % Change |
| 2015 | $2,561,913 | 8.0% | $123,175 | 5.9% | $132,685 | 6.0% |
| 2016 | 2,596,355 | 1.3 | 111,227 | (9.7) | 132,591 | (0.1) |
| 2017 | 2,719,778 | 4.8 | 109,037 | (2.0) | 149,567 | 12.8 |
| 2018 | 2,906,717 | 6.9 | 121,158 | 11.1 | 184,034 | 23.0 |
| 2019 | 3,031,974 | 4.3 | 124,947 | 3.1 | 218,136 | 18.5 |

Source: Colorado Department of Revenue.

The following table provides retail sales totals by industry for the State for the most recent five years and year-to-date available.

Colorado Retail Sales by Industry
(millions)
and
Percentage Change From Prior Year

| Industry | 2015 | % Change | 2016 | % Change | 2017 | % Change | 2018 | % Change | 2019 | % Change | Year-to-Date Totals Through February 2019 | Year-to-Date Totals Through February 2020 | % Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Agriculture/Forestry/Fishing | $ 500.6 | 13.6% | $ 599.5 | 11.8% | $ 417.9 | -25.3% | $ 587.2 | 40.5% | $ 521.1 | -11.3% | $ 24.8 | $ 36.6 | 47.6% |
| Mining | 3,743.4 | -32.8 | 2,485.9 | -33.6 | 3,665.9 | 47.5 | 4,411.7 | 20.3 | 3,938.3 | -10.7 | 549.0 | 519.4 | -5.4 |
| Utilities | 7,612.1 | -4.0 | 7,301.0 | -4.1 | 7,570.4 | 3.7 | 7,665.8 | 1.3 | 8,031.0 | 4.8 | 1,502.1 | 1,364.0 | -9.2 |
| Construction | 4,685.8 | 12.4 | 4,740.5 | 1.2 | 5,133.6 | 8.3 | 5,758.0 | 12.2 | 6,124.0 | 6.4 | 744.7 | 804.4 | 8.0 |
| Manufacturing | 15,864.8 | -19.8 | 14,679.1 | -7.5 | 16,217.9 | 10.5 | 17,360.8 | 7.0 | 15,992.7 | -7.9 | 2,134.7 | 2,313.0 | 8.4 |
| Wholesale Trade | 14,427.2 | -4.8 | 14,874.5 | 3.1 | 14,530.3 | -2.3 | 15,407.4 | 6.0 | 18,109.6 | 17.5 | 2,153.3 | 2,708.3 | 25.8 |
| Retail Trade: | | | | | | | | | | | | | |
| Motor Vehicle and Auto Parts | 18,995.4 | 8.9 | 19,692.9 | 3.7 | 20,614.6 | 4.7 | 21,190.4 | 2.8 | 21,986.4 | 3.8 | 3,000.0 | 3,383.5 | 12.8 |
| Furniture and Furnishings | 2,868.8 | 8.1 | 3,019.6 | 5.3 | 3,126.0 | 3.5 | 3,265.9 | 4.5 | 3,371.4 | 3.2 | 469.3 | 494.2 | 5.3 |
| Electronics and Appliances | 2,387.6 | 5.7 | 2,534.3 | 6.1 | 2,617.2 | 3.3 | 2,830.3 | 8.1 | 2,956.9 | 4.5 | 412.9 | 436.6 | 5.7 |
| Bolding Materials/Nurseries | 6,373.2 | 7.5 | 6,800.1 | 6.7 | 7,283.2 | 7.1 | 7,465.8 | 2.5 | 7,413.9 | -0.7 | 941.3 | 1,017.0 | 8.0 |
| Food/Beverage Stores | 16,619.2 | 4.1 | 16,798.7 | 1.1 | 17,655.4 | 5.1 | 18,794.5 | 6.5 | 18,927.9 | 0.7 | 2,122.2 | 2,962.4 | 39.6 |
| Health and Personal Care | 4,384.1 | 17.5 | 5,064.2 | 15.5 | 5,355.2 | 5.7 | 5,672.5 | 5.9 | 6,015.3 | 6.0 | 813.1 | 894.9 | 10.1 |
| Gas Stations | 4,815.3 | -15.6 | 4,307.1 | -10.6 | 4,528.5 | 5.1 | 4,863.8 | 7.4 | 4,556.7 | -6.3 | 619.2 | 689.2 | 11.3 |
| Clothing and Accessories | 3,810.6 | 2.0 | 3,843.5 | 0.9 | 3,848.5 | 0.1 | 3,999.7 | 3.9 | 4,413.8 | 10.4 | 513.6 | 582.0 | 13.3 |
| Sporting/Hobby/Books/Music | 3,009.1 | 3.0 | 3,021.7 | 0.4 | 2,879.5 | -4.7 | 2,960.5 | 2.8 | 3,075.7 | 3.9 | 436.3 | 488.5 | 12.0 |
| General Merchandise/Warehouse | 13,073.8 | 1.7 | 13,152.7 | 0.6 | 13,758.0 | 4.6 | 14,387.6 | 4.6 | 14,788.7 | 2.8 | 1,999.9 | 2,197.2 | 9.9 |
| Misc. Store Retailers | 5,256.5 | 10.4 | 5,767.0 | 9.7 | 6,529.4 | 13.2 | 6,645.2 | 1.8 | 7,214.1 | 8.6 | 864.0 | 933.1 | 8.0 |
| Non-Store Retailers | 1,742.1 | 2.7 | 2,286.3 | 31.2 | 2,921.3 | 27.8 | 3,279.3 | 12.3 | 5,054.7 | 54.1 | 639.6 | 1,347.5 | 110.7 |
| Total Retail Trade | 83,335.5 | 4.6 | 86,288.1 | 3.5 | 91,117.0 | 5.6 | 95,355.7 | 4.7 | 99,775.5 | 4.6 | 12,831.2 | 15,426.1 | 20.2 |
| Transportation/Warehouse | 931.3 | -4.8 | 864.8 | -7.1 | 944.6 | 9.2 | 1,292.4 | 36.8 | 1,096.3 | -15.2 | 135.7 | 170.9 | 26.0 |
| Information | 5,413.0 | -0.7 | 5,238.6 | 3.2 | 5,382.5 | 2.7 | 4,971.1 | -7.6 | 5,819.5 | 17.1 | 821.4 | 600.4 | -26.9 |
| Finance/Insurance | 2,668.7 | 57.9 | 2,691.8 | 0.9 | 2,107.9 | -21.7 | 2,469.4 | 17.2 | 2,761.9 | 11.8 | 397.4 | 488.2 | 22.9 |
| Real Estate/Rental/Lease | 4,389.0 | 5.2 | 4,573.3 | 4.2 | 4,875.5 | 6.6 | 5,423.2 | 11.2 | 5,907.9 | 8.9 | 906.5 | 952.4 | 5.1 |
| Professional/Scientific/Technical | 6,929.3 | -0.5 | 6,644.4 | -4.1 | 6,794.1 | 2.3 | 7,753.2 | 14.1 | 7,859.6 | 1.4 | 793.6 | 939.3 | 18.4 |
| Admin/Support/Waste/Remediation | 2,245.9 | 8.5 | 2,263.2 | 0.8 | 2,357.8 | 4.2 | 2,384.4 | 1.1 | 2,813.2 | 18.0 | 294.6 | 385.4 | 30.8 |
| Education | 490.5 | 1.9 | 493.9 | 0.7 | 486.3 | -1.5 | 500.3 | 2.9 | 434.8 | -13.1 | 54.4 | 43.9 | -19.2 |
| Health Care/Social Assistance | 6,896.1 | -4.8 | 6,890.5 | -0.1 | 7,136.0 | 3.6 | 7,044.5 | -1.3 | 16,093.3 | 128.5 | 2,514.6 | 2,737.7 | 8.9 |
| Arts/Entertainment/Recreation | 1,337.8 | 14.4 | 1,457.8 | 9.0 | 1,564.5 | 7.3 | 1,650.0 | 5.5 | 1,781.7 | 8.0 | 249.5 | 284.0 | 13.8 |
| Accommodation | 4,043.4 | 7.9 | 4,338.5 | 7.3 | 4,773.3 | 10.0 | 5,147.4 | 7.8 | 5,771.3 | 12.1 | 850.7 | 1,017.8 | 19.7 |
| Food/Drinking Services | 11,615.6 | 7.0 | 12,280.3 | 5.7 | 13,020.4 | 6.0 | 13,798.6 | 6.0 | 14,511.8 | 5.2 | 2,197.2 | 2,311.6 | 5.2 |
| Other Services | 5,441.9 | 10.5 | 5,730.4 | 5.3 | 6,182.5 | 7.9 | 6,751.4 | 9.2 | 6,924.2 | 2.6 | 939.6 | 963.4 | 2.5 |
| Government | 273.4 | 7.3 | 307.2 | 12.4 | 363.7 | 18.4 | 388.6 | 6.8 | 351.2 | -9.6 | 40.7 | 41.4 | 1.7 |
| Total All Industries | 182,845.3 | 0.1 | 184,703.4 | 1.0 | 194,642.0 | 5.4 | 206,121.0 | 5.9 | 224,618.9 | 9.0 | 30,135.6 | 34,108.2 | 13.2 |

Note: Reporting for 2019 and future years reflect new sourcing rules that may cause variations in the data reported from previous years.

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
Conventions[2]

| | National Parks Visits[1] | | Conventions | | Delegates | | Spending | | Skier Visits[3] | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Number (millions) | % Change | Number | % Change | Number (thousands) | % Change | Amount (millions) | % Change | Number (millions) | % Change |
| 2015 | 7.08 | – | 73 | – | 236.8 | – | $546.6 | – | 12.55 | – |
| 2016 | 7.46 | 5.4% | 66 | -9.96% | 242.7 | 2.5% | 543.4 | -0.6% | 13.39 | 6.7% |
| 2017 | 7.62 | 2.1 | 84 | 27.3 | 235.6 | -2.9 | 518.6 | -4.6 | 13.12 | -2.0 |
| 2018 | 7.57 | -0.7 | 67 | -20.2 | 269.4 | 14.4 | 560.6 | 8.1 | 12.81 | -2.4 |
| 2019 | 7.76 | 2.6 | 80 | 19.4 | 254.1 | -5.7 | 555.3 | -0.9 | 13.80 | 7.7 |

[1] Count of recreational visitors for the State's National Parks Service territories, which include national parks, monuments, historic sites, and recreation areas.

[2] Includes only those conventions booked by VISIT DENVER and 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; Vail Resorts, Inc.

## Residential Housing Starts

The following table provides a five-year history of the State's residential building permit issuance.

New Privately-Owned Housing Units Authorized in Colorado

| | 1 Unit | 2 Units | 3 & 4 Units | 5+ Units | Total Building Permits | % Change |
|---|---|---|---|---|---|---|
| 2015 | 20,025 | 334 | 287 | 11,225 | 31,871 | 4.3% |
| 2016 | 21,577 | 556 | 242 | 16,599 | 38,974 | 22.3 |
| 2017 | 24,338 | 344 | 415 | 15,576 | 40,673 | 4.4 |
| 2018 | 26,134 | 374 | 414 | 15,705 | 42,627 | 4.8 |
| 2019 | 28,059 | 366 | 448 | 13,100 | 41,973 | -1.5 |
| Year-to-Date Totals Through April: | | | | | | |
| 2019 | 7,754 | 136 | 243 | 4,339 | 12,472 | |
| 2020 | 8,955 | 60 | 169 | 3,919 | 13,103 | |
| *% change* | *15.5%* | *-55.9%* | *-30.5%* | *-9.7* | *5.1%* | |

Source: U.S. Census Bureau.

**Residential Foreclosures**

The following table provides a five-year history of foreclosure filings and sales in Colorado. The foreclosure filing is the event that begins the foreclosure process. In general, a borrower who is at least three months delinquent will receive a filing notice from the Public Trustee for the county in which the property is located. At this point, the property is in foreclosure.

Because a foreclosure filing can be cured or withdrawn before the home is sold at auction, not all filings result in foreclosure sales. Foreclosure sales at auction generally proceed between 110 and 125 days after the initial filing. Once a foreclosure sale is completed, the eviction process begins.

Foreclosure Filings and Sales in Colorado

| | Foreclosure Filings[1] | % Change | Foreclosure Sales at Auction | % Change |
|---|---|---|---|---|
| 2015 | 8,241 | -26.7% | 4,209 | -35.6% |
| 2016 | 7,666 | -7.0 | 3,128 | -25.7 |
| 2017 | 6,680 | -12.9 | 2,100 | -32.9 |
| 2018 | 5,884 | -11.9 | 1,461 | -30.4 |
| 2019 | 5,610 | -4.7 | 1,316 | -9.9 |

[1] Some filings may have been subsequently cured or withdrawn and may not have resulted in sales at auction.

Source: Colorado Division of Housing.

**APPENDIX J**
**State Pension System**

*The information included in this Appendix is based on information compiled and presented in the Public Employees' Retirement Association ("**PERA**") Comprehensive Annual Financial Report for the Plan Year ended December 31, 2019 (the "**PERA 2019 ACFR**"). The PERA 2019 ACFR was prepared by PERA staff employees and the firm of Segal Consulting, PERA's independent actuary, and audited by CliftonLarsonAllen LLP, PERA's independent public accounting firm. The valuations and other assessments of PERA constitute forward looking information as described in the Preliminary Notices on the inside cover page of this Official Statement because they are based on assumptions about future events. The assumptions underlying the valuations and assessments 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. Further, the PERA 2019 ACFR notes that the duration and full effects of the COVID-19 pandemic are currently unknown, as the global picture continues to evolve, and that although unprecedented federal fiscal and monetary stimulus have helped to stabilize and soften the impact of economic contraction, the near-term negative impact on PERA'S investment portfolio, as well as the short medium term impact on PERA'S membership and demographics, remains uncertain. The State takes no responsibility for the accuracy, validity or completeness of such information, valuations and assessments. The PERA 2019 ACFR is not incorporated in this Official Statement by reference or otherwise, and the State makes no representations regarding the accuracy of the information in the PERA 2019 ACFR.*

The information in the State's Fiscal Year 2019-20 ACFR regarding PERA is derived from the PERA 2019 ACFR.

**General Description**

***Overview***. The State, like most other state and local governments, provides post-employment benefits to its employees based on their work tenure and earnings history. By statute, the State created PERA, which administers cost sharing, multiple-employer defined benefit plans to provide retirement, death and disability benefits through the State Division Trust Fund (generally for State employees) (the "**State Division**"), the School Division Trust Fund (for employees of school districts), the Local Government Division Trust Fund (for employees of numerous municipalities and other local governmental entities), the Judicial Division Trust Fund (for judges in the State) and the Denver Public Schools Division (for employees of DPS). The defined benefit plan for the State Division is referred to herein as the "State Division Plan."

As described in more detail under the caption "Funding of the State Division Plan" below, the State Division Plan is funded with payments made by the State and by each employee the amounts of which are determined and established by statute. Benefits provided through the State Division Plan are paid from the State Division Trust Fund. State employees hired after 2005 may, in lieu of participating in the State Division Plan, elect to participate in a defined contribution plan (the "**State Division DC Plan**") which is also administered by PERA. However, the majority of State employees participate in the State Division Plan. The State has no obligation to make contributions or fund benefits in Divisions other than the State Division and Judicial Division of PERA. See Notes 1 and 8 to the financial statements in the PERA 2019 ACFR for a discussion of the membership in the State Division Plan and the State Division DC Plan, respectively. See also Management's Discussion and Analysis and Notes 6-8 to the financial statements in the State's Fiscal Year 2019-20 ACFR appended to this Official Statement for a description of the State Division Plan and the State Division DC Plan.

Because the majority of State employees participate in the State Division Plan and not in the State Division 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 Other Post-Employment Benefits" in the body of this Official Statement and in this Appendix relates only to the State Division Plan.

The State does not participate in the federal Old-Age, Survivors and Disability Insurance (Social Security) program.

***PERA***. PERA is a legal entity created by statute in 1931 that is separate from the State as further described in Article 51 of Title 24, C.R.S. (the "**PERA Act**"). Management of PERA is vested in a 16 member Board of Trustees (the "**PERA Board**"). PERA 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 PERA's website is included herein for informational purposes only, and information available on such website or in PERA's financial statements, or any other information provided by PERA, is not incorporated in this Official Statement by reference or otherwise, nor does the State make any representations regarding the accuracy of any such information.

**Basic Provisions of the State Division Plan**

Members of the State Division Plan who meet minimum age and service requirements are eligible to receive a monthly retirement benefit based on their employment and earnings history with the State. Calculation of retirement benefits, and eligibility requirements, differ depending on the employee's original hire date. In response to funding challenges, the General Assembly has enacted changes to State Division 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 6-8 to the financial statements in the State's Fiscal Year 2019-20 ACFR appended to this Official Statement, the PERA 2019 ACFR and the PERA Act for a discussion of eligibility requirements and the various tiers of benefits under the State Division Plan. See also the Statistical Section of the PERA 2019 ACFR for various statistics regarding members, retirees, survivors and benefit payments for the State Division Plan.

**Implementation by PERA of GASB 67**

In 2012, GASB issued Statement No. 67, "Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25" ("**GASB 67**"), which establishes new standards for financial reporting and note disclosure by defined benefit pension plans administered through qualified trusts, and note disclosure requirements for defined contribution pension plans administered through qualified trusts. GASB 67 is effective for accounting periods beginning after June 15, 2013, and, accordingly, PERA implemented GASB 67 beginning with its Comprehensive Annual Financial Report for the Plan Year ended December 31, 2014.

The objective of GASB 67 as stated therein is to improve financial reporting by state and local governmental pension plans. The requirements of GASB 67 are intended to improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information. A related statement, GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," applies to governmental employers and was implemented by the State beginning with the State's Fiscal Year 2014-15 ACFR. See "Implementation of Changes in Pension Accounting Standards Applicable to the State – GASB 68" below.

GASB 67 establishes a shift in financial disclosure requirements from a funding-based approach to an accounting-based approach. Implementation of GASB 67 requires the preparation of two actuarial valuations, one for funding purposes and one for accounting and financial disclosure purposes. The purpose of the funding valuation is to guide the PERA Board's actions necessary to ensure the long-term sustainability of PERA's trust funds. The funding valuation aids this action by allowing PERA to assess the sufficiency of the current statutory contribution rates and analyze the sufficiency of future contributions to meet current and future benefit obligations. The actuarial valuation for accounting purposes emphasizes the obligation an employer incurs to employees through the employment-exchange process. The primary purpose of the valuation for accounting purposes is to provide a consistent, standardized methodology that allows comparability of amounts and increased transparency of the pension liability across U.S. pension plans complying with this new reporting standard. To accomplish this, GASB 67 requires a different approach for determining net pension liability as compared to the previously disclosed unfunded actuarial accrued liability[1] ("**UAAL**"). Net pension liability is to be measured as the total pension liability[2] of the plan less the amount of the plan's fiduciary net position[3].

Another major change in the new standard is the rate used to discount projected benefit payments. The new standard states the long-term expected rate of return on the investments of the plan should be applied only to available plan assets that are expected to be invested using a strategy to achieve that return. If there comes a point in the projections when plan fiduciary net position and contributions related to active and inactive employees are no longer projected to be greater than or equal to projected benefit payments related to those employees and administrative expenses (crossover point), then from that point forward the plan will be required to discount the projected benefit payments after the crossover point using a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

GASB 67 also enhances the standards for footnote disclosure and required supplementary information for pension plans, including, among other things, disclosing the plan's net pension liability, ratio of fiduciary net position to total pension liability and actuarial methods and assumptions.

**Actuarial Valuations**

Many of the measures used to determine and evaluate the financial condition and funding status of the State Division Plan are based on actuarial valuations. An actuarial valuation is the determination, as of the actuarial valuation date, of the service cost, total pension liability and related actuarial present

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[1] Unfunded actuarial accrued liability is the difference between the actuarial accrued liability, or "AAL" (being the excess of the present value of a pension fund's total of future benefits (payable to the plan participants) and fund administration expenses over the present value of the future normal cost of those benefits), over the valuation assets of the fund.

[2] Total pension liability is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of plan member service in conformity with the requirements of GASB 67. For purposes of application to the requirements of GASB 67, AAL is the equivalent of total pension liability.

[3] Fiduciary net position equals assets plus deferred outflows of resources and less liabilities and deferred inflows of resources at the end of the plan's reporting period.

value of projected benefit payments for pensions performed in conformity with Actuarial Standards of Practice unless otherwise specified by GASB. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial valuations for each of PERA's defined benefit plans, including the State Division Plan, are prepared by PERA's actuaries based on a set of actuarial methods and assumptions that by State law are the responsibility of the PERA Board. The valuations for the State Division Plan examine the assets of the Plan compared to actuarial liabilities, compare past and future trends and determine the net pension liability of the Plan. The actuarial valuation for funding purposes applies an asset valuation method that recognizes a four-year smoothed market value of assets for purposes of determining the UAAL, while the actuarial valuation for accounting and financial reporting purposes applies the fair value of assets (determined in conformity with GASB standards) to determine the net pension liability. See the Actuarial Section of the PERA 2019 ACFR for a discussion of other actuarial methods and assumptions used in the actuarial valuations of the State Division Plan.

The PERA 2019 ACFR states that the PERA Board studies all economic and demographic actuarial assumptions at least every five years and approves changes to those assumptions. Recently, the PERA Board has reviewed the economic assumptions on a more frequent basis. The PERA Board last completed an experience study in 2020.

No assurance can be given that any of the assumptions underlying the actuarial valuations of the State Division 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 net pension liability of the Plan and other valuation and performance measures determined on the basis of such actuarial valuations.

**Funding of the State Division Plan**

***Statutorily Required Contributions***. The State Division Plan is funded with payments made by the State and by each eligible employee as provided in the PERA Act. The State's contributions to the Plan are based on percentages of employee wages and are set by statute. These contribution percentages are referred to herein as the statutorily required contribution, or "**SRC**," of the State.

Effective July 1, 2019, the baseline SRC that was required to be made by the State for most State employees was increased from 10.15% to 10.40% of includable compensation (from 12.85% to 13.10% for State Troopers and Colorado Bureau of Investigation ("**CBI**") agents). As required by statute, participants in the State Division Plan are also required to contribute a portion of their wages to the Plan. Per S.B. 18-200 discussed in the next paragraph, the participant contribution rate is to increase incrementally a total of 2% over a period of three years commencing July 1, 2019, which resulted in an increase in the member contribution rate effective July 1, 2019, from 8.0% to 8.75% of includable compensation (from 10.0% to 10.75% of includable compensation for State Troopers and CBI agents). See the PERA 2019 ACFR for additional information, as well as historical SRC and participant contribution rates.

The General Assembly enacted legislation in 2004, 2006 and 2010 to gradually increase employer contributions to the State Division Plan by authorizing the Amortization Equalization Disbursement ("**AED**") and the Supplemental Amortization Equalization Disbursement ("**SAED**") in order to shorten the amount of time over which the unfunded liability of the Plan is amortized. Both the AED and the SAED are paid by the State as contributions to the State Division Plan as a percentage of employee wages, but the SAED payment comes from money that would otherwise have been used to provide market-based salary increases to employees. The AED and the SAED applicable to the State Division Plan were effective as of January 1, 2006, and January 1, 2008, respectively, and were each initially payable at the rate of 0.5% of total covered payroll with annual increases in the contribution rate through 2017. As of July 1, 2019, the AED and SAED rates applicable to the State Division Plan were each 5.0%, and the total SRC applicable to the State Division Plan (net of 1.02% apportioned to the Health Care Trust Fund per the PERA Act) was 19.38% of employee wages (22.08% for State Troopers and CBI agents). In addition, SB 18-200, enacted by the General Assembly in 2018, provides for automatic adjustments to employee and employer contribution rates within certain statutory parameters so as to stay within the legislation's 30 year funding goal as discussed in "Funding Status of the State Division Plan" below. Previously, such adjustments required action by the General Assembly. SB 18-200 also provides that effective January 1, 2021, and every year thereafter, employer contribution rates for the State Division Plan are to be adjusted to include a defined contribution supplement. See also Note 6 to the State's Fiscal Year 2019-20 ACFR appended to this Official Statement and both the Management's Discussion and Analysis and Note 4 to the financial statements in the PERA 2019 ACFR.

S.B. 18-200 further requires the State to make an annual direct distribution to PERA of $225 million (actual dollars) from State funds beginning in Fiscal Year 2018-19 and continuing annually on July 1 until there are no unfunded actuarial accrued liabilities in the trust fund of any Division that receives such distribution. PERA is to allocate the distribution to the State Division Trust Fund, the School Division Trust Fund, the Judicial Division Trust Fund and the Denver Public Schools Division Trust Fund based upon the covered payroll of each such Division. *However, per H.B. 20-1379, due to the actual and forecast impact of COVID-19 on the State's revenues in Fiscal Years 2019-20 and 2020-21, this distribution has been suspended for Fiscal Year 2020-21 only, and thus PERA will not receive a direct distribution from the State until the payment scheduled for July 1, 2021.*

Changes to the statutorily required contributions to the State Division Plan by the State and its employees, or to other provisions of the Plan, could be made by the General Assembly through future legislative action, which changes could impact the SRC, the funding status and/or the financial condition of the Plan as described herein. The State cannot predict if or when any such legislative changes might be enacted or the impact that any such changes, if enacted, might have on the State Division Plan or the State's funding obligations with respect to the Plan.

The SRC is paid from the State General Fund as well as from certain federal funds and State cash funds and is typically paid from the same funding source as the employee's salary and other benefits. Although the rate of the SRC is set by statute, payment of the SRC nevertheless is subject to annual appropriation through the State budgeting process as described in "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations" in the body of this Official Statement. The State has consistently contributed the full amount of the SRC to the State Division Plan.

**Actuarially Determined Contribution**. As a result of the shift in financial disclosure requirements under GASB 67 from a funding-based approach to an accounting-based approach, the historical disclosure and use of the annual required contribution[1], or "ARC," as a funding benchmark by PERA was no longer required. Rather, this philosophical shift necessitated the development and use of a plan specific actuarially determined contribution ("**ADC**") benchmark against which to gauge the

[1] Prior to 2014, PERA used the ARC as a funding benchmark against which to gauge the adequacy of the SRC for the State Division Plan. The ARC is the actuarially determined amount that would be required if the State were to fund each year's normal cost (i.e., the present value of the benefits that the State Division Plan projects to become payable in the future that are attributable to a valuation year's payroll) in the State Division Plan plus an annual amortization of the UAAL assuming that the UAAL will be fully funded over a maximum 30-year period. The difference between the ARC and the SRC constitutes either a contribution deficiency or excess contributions. For historical information regarding the ARC, see PERA's Comprehensive Annual Financial Report for calendar year 2013.

adequacy of the SRC for the State Division Plan. The ADC represents the amount needed to fund benefits over time, and constitutes a target or recommended employer contribution for the reporting period determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted. An ADC deficiency arises when actual employer contributions are less than the ADC, and interest accrues on the ADC deficiency at the plan's expected long term rate of return. See "*Historical ADC and State Contributions*" below.

***Change in PERA Funding Policy***. In response to the new GASB 67 standards, the PERA Board adopted a revised pension funding policy in March 2015 (and last revised in November 2018) with regard to its trust funds. The purpose of the revised funding policy, as stated in the PERA 2019 ACFR, is to: (i) define the overall funding benchmarks of PERA's defined benefit pension trust funds; (ii) assess the adequacy of the contribution rates which are set by the General Assembly by comparing these rates to an ADC rate; and (iii) define the annual actuarial metrics that will assist the PERA Board in assessing the sustainability of the plan. The results of these three items are intended to guide the PERA Board when considering whether to pursue or support proposed legislation pertaining to changes in plan contribution and/or benefit provisions. See "*Statutorily Required Contributions*" above.

***Historical ADC and State Contributions***. The following table sets forth for each of the years 2010-2019 (i) the ADC for the State Division Plan, (ii) the annual contribution deficiency and (iii) the actual contribution as a percentage of covered employee payroll. The State annually contributes the full amount of the SRC to the State Division Plan; however, these amounts have been less than the applicable ARC or ADC. During this period the State has not made any contributions to the State Division Plan in excess of the SRC.

The ADC rates, as a percentage of covered payroll, used to determine the ADC amounts in Table 1 below are calculated as of December 31 two years prior to the end of the year in which the ADC amounts are reported. The following actuarial methods and assumptions from the December 31, 2017, actuarial valuation were used to determine contribution rates reported in the table for the year ended December 31, 2019: (i) the actuarial cost method is based on the entry age of participants; (ii) the Plan's amortization period is based on a level percent of payroll over a 30-year closed period layered 28 years; (iii) for valuation purposes the actuarial value of assets is based on gains and losses smoothed in over a four year period as permitted by GASB standards; (iv) price inflation is assumed to be 2.40%; (v) real wage growth is assumed to be 1.10%; (vi) salary increases (including assumed wage inflation of 3.50%) are projected to range from 3.50% to 9.17%; (vii) the long-term investment rate of return (net of pension plan investment expense, including price inflation) is assumed to be 7.25%; and (viii) cost of living adjustments for pre-2007 hires are assumed to be 1.25% per year and cost of living adjustments for post-2006 hires are assumed to be financed by the Annual Increase Reserve described in footnote 2 to the table. Other assumptions include, without limitation, future retiree participation and contribution rates and mortality rates. For further information, see Note 3 to the required supplementary information for the Division trust funds and the Actuarial Section in the PERA 2019 ACFR.

**Table 1**
**Employer Contributions**
**State Division**
(Dollar Amounts in Thousands)

| Calendar Year | ADC Rate[1] | Covered Employee Payroll | Annual Increase Reserve Contribution[2] | ADC Contribution[3] | Contributions in Relation to the ADC | Annual Contribution Deficiency | Actual Contribution as a Percentage of Covered Employee Payroll |
|---|---|---|---|---|---|---|---|
| 2019 | 23.28% | $2,995,453 | $17,663 | $715,004 | $689,370 | $25,634 | 23.01% |
| 2018 | 26.30 | 2,898,827 | 15,919 | 778,311 | 661,653 | 116,658 | 22.82 |
| 2017 | 22.71 | 2,774,207 | 14,355 | 644,377 | 563,977 | 80,400 | 20.33 |
| 2016 | 22.31 | 2,710,651 | 12,838 | 617,584 | 521,804 | 95,780 | 19.25 |
| 2015 | 22.35 | 2,641,867 | 11,400 | 601,857 | 484,005 | 117,852 | 18.32 |
| 2014 | 20.45 | 2,564,670 | 9,984 | 534,459 | 444,372 | 90,087 | 17.33 |
| 2013 | 20.01 | 2,474,965 | -- | 495,241 | 393,218 | 102,023 | 15.89 |
| 2012 | 16.52 | 2,384,934 | -- | 393,991 | 328,055 | 65,936 | 13.76 |
| 2011 | 13.63 | 2,393,791 | -- | 326,274 | 277,122 | 49,152 | 11.58 |
| 2010 | 18.93 | 2,392,080 | -- | 452,821 | 282,640 | 170,181 | 11.82 |

[1] See the discussion preceding this table regarding the actuarial methods and assumptions used in determining the ADC rates.

[2] The Annual Increase Reserve, or "AIR," was established in 2007 and is used to provide post-retirement benefit increases for members hired on or after January 1, 2007. The AIR is financed by an allocation from employer statutory contributions made on behalf of such members equal to 100% of pensionable payroll and through an allocation of purchase of service dollars. For further information see the PERA 2019 ACFR.

[3] The ADC contribution equals the sum of (i) the ADC rate times the covered employee payroll, plus (ii) the AIR.

Source: PERA 2019 ACFR.

For historical information regarding employer contributions based on the ARC, see PERA's Comprehensive Annual Financial Report for calendar year 2013 and Note 6 to the State's Fiscal Year 2019-20 ACFR appended to this Official Statement.

## Funding Status of the State Division Plan

The State Division Plan currently is significantly underfunded. As discussed in "Funding of the State Division Plan – *Statutorily Required Contributions*" above, the AED and SAED were implemented in 2006 and 2008, respectively, and other changes were made to the Plan design by SB 10-001, all in an effort to improve the funding status of the State Division Plan. However, investment returns on Plan assets declined following the global economic downturn that began in 2008. As a result, the actuarial assumptions as to the investment rate of return on Plan assets and the discount rate on actuarially accrued liabilities were lowered by the PERA Board from 8.50% to 8.00% in 2009, to 7.50% at the end of 2013 and to 7.25% as of December 31, 2017, and other economic assumptions, including the amortization period, were changed over this period as well, to reflect actual results and new estimates about the future. Notwithstanding these changes, PERA reported that at December 31, 2016, the State Division Plan a UAAL of approximately $11.644 billion and a funded ratio (i.e., the actuarial value of Plan assets divided by the AAL) of only 54.6%, which UAAL would have amortized over a 65-year period based on contribution rates as of the date of calculation.

In order to address the funding status of PERA's defined benefit plans, including the State Division Plan, in 2018 the General Assembly enacted SB 18 200 which made changes to the defined benefit plans administered by PERA with the goal of eliminating the UAAL of such plans, and thereby reach a 100% funded ratio for each of such plans, within a 30-year period. Among other things, SB 18 200 phases-in a 2% increase in contribution rates for most employees, suspended the cost of living adjustment for retirees through 2019, changes the definition of salary and highest average salary, reduces maximum annual cost of living adjustments, adjusts employee and employer contribution rates, funds unfunded PERA liability from political subdivisions that terminate their affiliation with PERA and provides for a direct annual allocation to PERA from the State General Fund of $225 million (actual dollars) beginning with Fiscal Year 2018-19 although, per H.B. 20-1379, due to the actual and forecast impact of the COVID-19 pandemic on the State's revenues in Fiscal Years 2019-20 and 2020-21, this distribution has been suspended for Fiscal Year 2020-21, as discussed in "—Funding of the State Division Plan—*Statutorily Required Contributions*" above. S.B. 18-200 also provides for automatic adjustments to employee and employer contribution rates, annual cost of living increases and the State's annual direct contribution to PERA within certain statutory parameters so as to stay within the 30-year funding goal. Previously, such adjustments required action by the General Assembly. For further information regarding SB 18-200, see Note 6 to the State's 2019-20 ACFR appended to this Official Statement and the PERA 2019 ACFR.

The PERA 2019 ACFR reports that, at December 31, 2019, the actuarial value of assets of the State Division Plan was approximately $14.992 billion and the AAL of the Plan was approximately $25.718 billion, resulting in a UAAL of approximately $10.796 billion, a funded ratio of 58.0% and an amortization period, both before and after consideration of H.B. 20-1379, of 27 years[1]. The actuarial value of assets of the State Division Plan is determined by using an asset valuation method of smoothing the difference between the market value of assets and the actuarial value of assets over a four-year period to prevent extreme fluctuations that may result from short term or cyclical economic and market conditions. Based on the market value of assets of the State Division Plan, the PERA 2019 ACFR reports that at December 31, 2019, the UAAL of the Plan was approximately $9.989 billion and the funded ratio was 61.5%.

For further information, see Management's Discussion and Analysis in the State's Fiscal Year 2019-20 ACFR appended to this Official Statement, as well as Management's Discussion and Analysis, Notes 10 and 12 to the financial statements, Note 2 to the required supplementary information for the Division trust funds and the Actuarial Section in the PERA 2019 ACFR.

Table 2 below sets forth for each of the past ten years the UAAL, the funded ratio and related information for the State Division Plan based on the actuarial value of Plan assets, and Table 3 below sets forth such information based on the market value of Plan assets.

The actuarial valuation for funding purposes in the PERA 2019 ACFR was performed as of December 31, 2019, and the actuarial valuation for accounting and financial reporting purposes in the PERA 2019 ACFR was performed as of December 31, 2018, and the total pension liability was rolled forward to the measurement date of December 31, 2019, utilizing generally accepted actuarial techniques.

When calculating the AAL of the State Division Plan in Tables 2 and 3 below, the following actuarial methods, assumptions and inputs, among others, were used: (i) price inflation is assumed to be 2.40%; (ii) real wage growth is assumed to be 1.10%; (iii) salary increases (including assumed wage inflation of 3.50%) are projected to range from 3.50% to 9.17%; (iv) the long term investment rate of return (net of pension plan investment expense, including price inflation) and discount rate are assumed to be 7.25%; and (v) cost of living adjustments for pre-2007 hires are assumed to be 0% through 2019 and 1.25% per year compounded annually thereafter, and cost of living adjustments for post-2006 hires are assumed to be financed by the AIR. Other assumptions include, without limitation, future retiree participation and

[1] This amortization period does not include the full effect of legislation enacted in 2006, 2010 and 2018, which includes plan changes designed to lower the normal cost over time as new members are added to the Plan, allow a greater proportion of the State's contribution to the Plan to be used to amortize the unfunded liability and increase future contributions to the Plan in order to accelerate the amortization of the UAAL. However, utilizing the assumptions specified in the PERA 2019 ACFR, PERA's independent actuary projects that the goal of funding 100% of the AAL under the PERA revised benefit structure created by S.B. 18-200 is achievable within a projection period of 24 years, and that the State Division Plan is projected to be 100% funded in 22 years. For further information, see the PERA 2019 ACFR.

contribution rates and mortality rates. For further information, see Note 10 to the financial statements and the Actuarial Section in the PERA 2019 ACFR.

**Table 2**
**Historical Funding Progress of State Division Plan**
**Actuarial Value of Plan Assets**
(Dollar Amounts in Thousands)

| Valuation Date (December 31) | Actuarial Value of Plan Assets[1] | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Employer Payroll | UAAL as Percentage of Employer Payroll |
|---|---|---|---|---|---|---|
| 2019 | $14,922,050 | $25,717,648 | $10,795,598 | 58.0% | $2,995,453 | 360.4% |
| 2018 | 14,303,726 | 25,509,852 | 11,206,126 | 56.1 | 2,898,827 | 386.6 |
| 2017 | 14,256,410 | 24,782,085 | 10,525,675 | 57.5 | 2,774,207 | 379.4 |
| 2016 | 14,026,332 | 25,669,916 | 11,643,584 | 54.6 | 2,710,651 | 429.5 |
| 2015 | 13,882,820 | 24,085,671 | 10,202,851 | 57.6 | 2,641,867 | 386.2 |
| 2014 | 13,523,488 | 23,408,321 | 9,884,833 | 57.8 | 2,564,670 | 385.4 |
| 2013 | 13,129,460 | 22,843,725 | 9,714,265 | 57.5 | 2,474,965 | 392.5 |
| 2012 | 12,538,675 | 21,191,495 | 8,652,820 | 59.2 | 2,384,934 | 362.8 |
| 2011 | 12,010,045 | 20,826,543 | 8,816,498 | 57.7 | 2,393,791 | 368.3 |
| 2010 | 12,791,946 | 20,356,176 | 7,564,230 | 62.8 | 2,392,080 | 316.2 |

[1] The actuarial value of Plan assets is based on gains and losses smoothed in over a four-year period as permitted by GASB standards.

Source: PERA 2019 ACFR

**Table 3**
**Historical Funding Progress of State Division Plan**
**Market Value of Plan Assets**
(Dollar Amounts in Thousands)

| Valuation Date (December 31) | Market Value of Plan Assets[1] | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Employer Payroll | UAAL as Percentage of Employer Payroll |
|---|---|---|---|---|---|---|
| 2019 | $15,819,843 | $25,717,648 | $9,897,805 | 61.5% | $2,995,453 | 330.4% |
| 2018 | 13,837,863 | 25,509,852 | 11,671,989 | 54.2 | 2,898,827 | 402.6 |
| 2017 | 15,105,378 | 24,782,085 | 9,676,707 | 61.0 | 2,774,207 | 348.8 |
| 2016 | 13,538,772 | 25,669,916 | 12,131,144 | 52.7 | 2,710,651 | 447.5 |
| 2015 | 13,391,398 | 24,085,671 | 10,694,273 | 55.6 | 2,641,867 | 404.8 |
| 2014 | 13,956,630 | 23,408,321 | 9,451,691 | 59.6 | 2,564,670 | 368.5 |
| 2013 | 13,935,754 | 22,843,725 | 8,907,971 | 61.0 | 2,474,965 | 359.9 |
| 2012 | 12,766,459 | 21,191,495 | 8,425,036 | 60.2 | 2,384,934 | 353.3 |
| 2011 | 12,001,770 | 20,826,543 | 8,824,773 | 57.6 | 2,393,791 | 368.7 |
| 2010 | 12,487,105 | 20,356,176 | 7,869,071 | 61.3 | 2,392,080 | 329.0 |

[1] The market value of Plan assets is the fair value of the assets determined in conformity with GASB standards. See the Investment Section of the PERA 2019 ACFR.

Source: PERA Comprehensive Annual Financial Reports for calendar years 2010 through 2019.

Since contribution rates to the State Division Plan are fixed by statute, unless changes are made to such rates or changes are made to Plan provisions to reduce benefit payments, improvements in the funding status of the State Division Plan are expected to come primarily from increases in investment returns on

Plan assets or changes in the actuarial assumptions used to determine the value of Plan assets and the AAL. Changes to contribution rates or other Plan provisions, or the use of alternative Plan funding strategies, would require legislative action by the General Assembly, of which there can be no assurance.

### Fiduciary Net Position of the State Division Plan

The Statement of Fiduciary Net Position of the State Division Plan as of December 31, 2018, is included in PERA's basic financial statements set forth in the Financial Section of the PERA 2018 ACFR. The following table sets forth for each of the years 2009 2018 the changes in fiduciary net position of the State Division Plan.

**Table 4**
**Changes in Fiduciary Net Position**
**State Division**
(Cash Basis; Dollar Amounts in Thousands)

| | For The Year Ended December 31, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2019** | **2018** | **2017** | **2016** | **2015** | **2014** | **2013** | **2012** | **2011** | **2010** |
| ADDITIONS | | | | | | | | | | |
| Employer contributions | $ 612,282 | $ 583,164 | $ 563,977 | $ 521,804 | $ 484,005 | $ 444,372 | $ 401,658 | $ 335,073 | $ 283,222 | $ 287,624 |
| Nonemployer contributions | 77,088 | 78,489 | -- | -- | -- | -- | -- | -- | -- | -- |
| Member contributions | 257,803 | 236,313 | 228,978 | 223,005 | 217,980 | 211,610 | 202,799 | 227,058 | 258,678 | 223,240 |
| Purchased service | 29,494 | 25,227 | 27,442 | 24,528 | 26,946 | 22,446 | 22,241 | 16,358 | 11,277 | 12,496 |
| Net investment income (loss) | 2,764,719 | (497,562) | 2,391,683 | 947,981 | 210,337 | 780,762 | 1,931,658 | 1,511,244 | 232,669 | 1,553,142 |
| Other | 22 | 7,888 | 15,860 | 8,708 | 5,023 | 3,289 | 4,869 | 150 | 331 | 1 |
| Total additions | 3,741,408 | 433,519 | 3,227,940 | 1,726,026 | 944,291 | 1,462,479 | 2,563,225 | 2,089,883 | 786,177 | 2,076,503 |
| DEDUCTIONS | | | | | | | | | | |
| Benefit payments | 1,637,168 | 1,608,534 | 1,554,290 | 1,483,828 | 1,417,862 | 1,352,293 | 1,295,780 | 1,231,922 | 1,174,707 | 1,122,435 |
| Refunds | 61,832 | 65,253 | 58,696 | 60,137 | 63,567 | 61,152 | 68,735 | 69,221 | 70,090 | 68,844 |
| Disability insurance premiums | 1,965 | 2,093 | 2,035 | 2,106 | 2,088 | 2,309 | 2,229 | 1,570 | 1,685 | 1,661 |
| Administrative expenses | 11,294 | 11,903 | 11,745 | 11,271 | 10,779 | 10,067 | 9,780 | 8,568 | 8,685 | 8,942 |
| Other | 2,707 | 3,017 | 3,652 | 3,040 | 3,406 | 3,171 | 3,593 | 3,911 | (4,546) | (726) |
| Total deductions | 1,714,966 | 1,690,800 | 1,630,418 | 1,560,382 | 1,497,702 | 1,428,992 | 1,380,117 | 1,315,192 | 1,250,621 | 1,201,156 |
| Change in fiduciary net position | 2,026,442 | (1,257,281) | 1,597,522 | 165,644 | (553,411) | 33,487 | 1,183,108 | 774,691 | (464,444) | 875,347 |
| Fiduciary net position held at beginning of year | 13,966,421 | 15,223,702 | 13,626,180 | 13,460,536 | 14,013,947 | 13,980,460 | 12,797,352 | 12,022,661 | 12,487,105 | 11,611,758 |
| Fiduciary net position held at end of year | $15,992,863 | $13,966,421 | $15,223,702 | $13,626,180 | $13,460,536 | $14,013,947 | $13,980,460 | $12,797,352 | $12,022,661 | $12,487,105 |

Source: PERA 2019 ACFR.

### Net Pension Liability of the State Division Plan

As noted above, GASB 67 requires a different approach for determining net pension liability as compared to the previously disclosed UAAL, and also requires disclosing the plan's net pension liability and ratio of fiduciary net position to total pension liability. The schedule of net pension liability presents multi-year trend information about whether the fiduciary net position is increasing or decreasing over time relative to total pension liability.

The following table sets forth for the years 2013-2019 (the only years for which information is available) the net pension liability and related information regarding the State Division Plan. The required supplemental information in the PERA 2019 ACFR includes a schedule showing the sources of the changes in net pension liability for 2014-2019 (information for 2013 is not available). See also "Implementation of Changes in Pension Accounting Standards Applicable to the State – GASB 68" hereafter.

**Table 5**
**Net Pension Liability**
**State Division[1,2]**
(Dollar Amounts in Thousands)

| | For the Year Ended December 31, | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Total pension liability[3, 4] | $25,696,667 | $25,345,094 | $35,241,684 | $31,994,311 | $23,991,569 | $23,420,461 | $22,888,431 |
| Plan fiduciary net position | 15,992,863 | 13,966,421 | 15,223,702 | 13,626,180 | 13,460,536 | 14,013,947 | 13,980,460 |
| Net pension liability | $9,703,804 | $11,378,673 | $20,017,982 | $18,368,131 | $10,531,033 | $9,406,514 | $8,907,971 |
| Net pension liability as a percentage of total pension liability | 62.24% | 55.11% | 43.20% | 42.59% | 56.11% | 59.84% | 61.08% |
| Covered employee payroll | $2,995,453 | $2,898,827 | $2,774,207 | $2,710,651 | $2,641,867 | $2,564,670 | $2,474,965 |
| Net pension liability as a percentage of covered employee payroll | 323.95% | 392.53% | 721.57% | 677.63% | 398.62% | 366.77% | 359.92% |

______________________

1 Information for years prior to 2013 is not available.

2 Government accounting standards require that pension liabilities for financial reporting purposes be measured using the plan provisions in effect at the pension plan's year-end. Therefore, unlike the tables in "Funding Status of the State Division Plan" above, the changes made by SB 18-200 are not reflected in this table for years 2013-2017.

3 The total pension liability as of December 31, 2019, was determined by actuarial valuations as of December 31, 2018, and accepted actuarial procedures were applied to roll-forward the total pension liability to December 31, 2019. The actuarial valuations as of December 31, 2018, used the key actuarial methods, assumptions or other inputs discussed in "Funding Status of the State Division Plan" above, except that the fair value (or market value) of assets, rather than a four-year smoothed market value of assets, was used to determine the net pension liability.

4 The decrease in the total pension liability at December 31, 2018, is primarily due to changing from a blended discount rate to a discount rate equal to the long-term assumed rate of return in accordance with GASB 67 as explained in the PERA 2018 ACFR.

Source: PERA 2019 ACFR.

## Investment of State Division Plan Assets

State law authorizes the investment of PERA's funds by the PERA Board, subject to the following limitations:

- The aggregate amount of investment trust shares, corporate stocks, corporate bonds and convertible debentures cannot exceed 65% of the book value of the fund.
- Neither common nor preferred stock of a single corporation can exceed 5% of the book value of the fund.
- The fund cannot acquire more than 12% of the outstanding stocks or bonds of a single corporation.

See Note 5 to the financial statements and the Investment Section of the PERA 2019 ACFR for additional discussion of PERA's investment responsibilities and investment policies.

**Implementation of Changes in Pension Accounting Standards Applicable to the State – GASB 68 and GASB 75**

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" ("**GASB 68**") is a GASB pronouncement that is related to GASB 67 and applicable to governmental entities, such as the State, that provide their employees with pension benefits. GASB 68 is effective for fiscal years beginning after June 15, 2014, and accordingly has been implemented beginning with the State's Fiscal Year 2014-15 ACFR. GASB 68 revises and establishes new financial reporting requirements for governmental entities, and, among other things, requires cost-sharing employers participating in defined benefit plans to record their proportionate share of the unfunded pension liability. See Table 2 in this Appendix for the UAAL of the State Division Plan for the years 2009 2018 as set forth in the PERA 2019 ACFR.

The State reported a net pension liability in the State's Fiscal Year 2019-20 ACFR of approximately $11.285 billion at June 30, 2020, compared to a reported net pension liability in the State's Fiscal Year 2018-19 ACFR of approximately $13.531 billion at June 30, 2019. These amounts were determined as of the calendar year-end that occurred within the Fiscal Year. See also Note 6 to the State's Fiscal Year 2018-19 ACFR appended to this Official Statement for a description of the methodology utilized to determine these amounts.

There is a difference between the net pension liability for the State reported by PERA and the State in their respective financial statements. The difference results from PERA's inclusion of employers in the State Division and the Judicial Division which are not included in the State's financial statement reporting entity. The PERA Board has statutory authority to assign employers to the State Division and Judicial Division that are not part of the State's financial statement reporting entity as defined by GASB Statement No. 14, as amended by GASB Statements No. 39 and 61. Examples of these employers in the State Division include Pinnacol Insurance, Fire and Police Pension Association and District Attorneys. Denver County Courts is the only Judicial Division employer that is not part of the State's financial statement reporting entity. The State includes in its financial statements a percentage of the net pension liability reported by PERA in its financial statements for each Division to determine the State's proportionate share in accordance with requirements of GASB 68. Additional information concerning the State's reporting entity can found in Note 1 to the State's Fiscal Year 2019-20 ACFR appended to this Official Statement, and additional information concerning the proportionate share calculation can be found in Note 6 of the State's Fiscal Year 2019-20 ACFR.

The State's proportionate share of the net pension liability at the end of calendar years 2013-2018 in accordance with requirements of GASB 68 is set forth in the following table.

**Table 6**
**State's (Primary Government's) Proportionate Share of the Net Pension Liability[1]**
(Amounts in Thousands)

State Division

| | Calendar Year | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| State's proportion of the net pension liability | 95.95% | 95.37% | 95.49% | 95.71% | 95.85% | 95.86% |
| State's proportionate share of net pension liability | $10,918,046 | $19,091,149 | $17,539,728 | $10,079,252 | $9,016,144 | $8,539,181 |
| State's covered payroll | $3,262,962 | $2,796,014 | $2,751,094 | $2,687,152 | $2,586,800 | $2,570,286 |
| State's proportionate share of the net pension liability as a percentage of its covered payroll | 334.61% | 682.80% | 637.55% | 375.09% | 348.54% | 332.23% |
| Plan fiduciary net position as a percentage of the total pension liability | 55.11% | 43.20% | 42.59% | 56.11% | 59.84% | 61.00% |

Judicial Division

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|
| State's proportion of the net pension liability | 94.91% | 93.99% | 94.17% | 93.98% | 93.60% | 93.44% |
| State's proportionate share of net pension liability | $134,072 | $218,136 | $239,423 | $172,824 | $129,499 | $102,756 |
| State's covered payroll | $55,706 | $46,764 | $46,320 | $44,159 | $40,114 | $37,203 |
| State's proportionate share of the net pension liability as a percentage of its covered payroll | 240.68% | 466.46% | 516.89% | 391.37% | 322.83% | 276.20% |
| Plan fiduciary net position as a percentage of the total pension liability | 68.48% | 58.70% | 53.19% | 60.13% | 66.89% | 77.41% |

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[1] The amounts presented for each Fiscal Year were determined as of the calendar year-end that occurred within the Fiscal Year and were calculated as described in Note 6 to the Financial Statements and Note RSI-2 to the Required Supplementary Information in the State's Fiscal Year 2019-20 ACFR appended to this Official Statement.

Source: State Fiscal Year 2019-20 ACFR.

A 10-year history of the State's contribution to PERA for the State and Judicial Divisions is also included in Note RSI-2 to the Required Supplementary Information in the State's Fiscal Year 2018-19 ACFR appended to this Official Statement. See also "Overall Financial Position and Results of Operations" in the Management's Discussion and Analysis and Notes 1 and 6-8 to the Financial Statements in the State's Fiscal Year 2019-20 ACFR.

GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" ("**GASB 75**"), is effective for fiscal years beginning after June 15, 2017, and accordingly was first implemented in the State's Fiscal Year 2018-19 ACFR. GASB 75 requires, for purposes of governmental financial reporting, that the State recognize a liability for its proportionate share of the net Other Post-Employment Benefits ("**OPEB**") liability (of all employers for benefits provided through the OPEB plan), i.e., the collective net OPEB liability. The State is also required to recognize OPEB expense and report deferred outflows of resources and deferred inflows of resources related to OPEB for its proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB. GASB 75 also requires additional footnote disclosures about the pension trust fund in the financial statements.

**Effect of Pension Liability on the Series 2021A Certificates**

No assurances can be given that the assumptions underlying any current or future plans of the State to address its pension liabilities will be realized or that actual events will not cause material changes to the pension data presented in this Official Statement, including in this Appendix. The General Assembly and Governor are ultimately responsible for passing any legislation which would make material changes to PERA retirement plans. No assurance can be given that any legislative changes aimed at decreasing the State's pension liability will be enacted. The State's current pension liability or any increase in the State's pension liability may have a material adverse effect on the State's ability to fully pay its obligations, including the Series 2021A Certificates.

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## APPENDIX K
## DTC Book-Entry System

The information in this Appendix concerning DTC and DTC's book entry system has been obtained from DTC and contains statements that are believed to describe accurately DTC, the method of effecting book-entry transfers of securities distributed through DTC and certain related matters, but the State takes no responsibility for the accuracy or completeness of such statements. Beneficial Owners should confirm the following information with DTC or the DTC Participants.

*None of the Trustee, the State or the Underwriters has any responsibility or obligation to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC or any DTC Participant, (ii) the distribution by DTC or any DTC Participant of any notice that is permitted or required to be given to the registered owners of the Series 2021A Certificates under the Indenture, (iii) the payment by DTC or any DTC Participant of any amounts received under the Indenture with respect to the Series 2021A Certificates, (iv) any consent given or other action taken by DTC or its nominee as the owner of Series 2021A Certificates or (v) any other related matter.*

DTC will act as securities depository for the Series 2021A Certificates. The Series 2021A Certificates will be in the form of 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 Series 2021A Certificate for each maturity of the respective Series of Certificates, in the aggregate principal amount of such maturity, will be executed and delivered and 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 an S&P 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 http://www.dtcc.com and http://www.dtc.org. 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 2021A Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021A Certificates on DTC's records. The ownership interest of each Beneficial Owner is in turn recorded on the records of Direct and Indirect

Participants. 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 2021A 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 the Series 2021A Certificates except in the event that use of the book-entry system for the Series 2021A Certificates is discontinued.

To facilitate subsequent transfers, all Series 2021A 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 2021A Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2021A Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2021A Certificates 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 Series 2021A Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2021A Certificates, such as redemptions, defaults and proposed amendments to the Indenture. For example, Beneficial Owners of Series 2021A Certificates may wish to ascertain that the nominee holding the Series 2021A 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 registrar and request that copies of the notices be provided directly to them.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2021A 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 issuer 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 the Series 2021A Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments with respect to the Series 2021A 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 State or the State Treasurer on the payable date 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 Participants and not of DTC, the paying agent or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments with respect to the Series 2021A Certificates to Cede & Co., or to such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the State or the paying agent, disbursement of such payments to Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2021A Certificates at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2021A Certificates are required to be printed and delivered to the appropriate registered owners of the Series 2021A Certificates.

The State may at any time decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository) with respect to the Series 2021A Certificates. In that event, Series 2021A Certificates will be printed and delivered to DTC.

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